



Daily Report

China

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General

Chemical, Nuclear Arms Trade With Iran Denied

HK2803144595 Beijing in Chinese 1153 GMT
28 Mar 95

[FBIS Translated Text] Beijing, 28 Mar (ZHONGGUO XINWEN SHE)—Chinese Foreign Ministry Chen Jian said here this afternoon, "The statement that China and Iran are trading in nuclear and chemical arms technology is completely groundless. It is totally unreasonable to make irresponsible remarks regarding the normal cooperation between sovereign states which is aimed at peaceful purposes."

A reporter asked, "the United States has asked China to stop selling nuclear reactors to Iran and to assume a more responsible attitude when engaging in the trade of nuclear and chemical arms technology, as otherwise the United States will find it difficult to cooperate with China in the peaceful use of nuclear energy. Under the circumstances, how does China view this U.S. position?" Chen Jian made the above statements in reply to this question.

Chen said, "China is one of the signatories of the 'Nuclear Weapons Nonproliferation Treaty' and one of the first signatories of the 'Convention on Chemical Weapons.' China endorses the principles and objectives of these accords and has consistently adopted a cautious and responsible attitude toward exports in areas of concern; namely, it does not export materials, technology, or equipment designed to produce nuclear or chemical weapons."

Another reporter asked, "There have been reports that on 25 March the Philippine Navy detained four Chinese fishing vessels in the vicinity of the Nansha (Spratlys). Does China have any comment on this development?"

Chen Jian replied, "China's sovereignty over the Nansha Islands and the waters nearby is indisputable. When the Philippine Navy detained Chinese fishing vessels and arrested fishermen during their normal operations in the Nansha waters, they violated the lawful rights and interests of the Chinese fishermen. The Philippines should release the Chinese fishing vessels and fishermen as quickly as possible in the interest of safeguarding the friendly relations between the two countries."

Beijing Calls For Peaceful Conflict Solution

OW2903044395 Beijing XINHUA in English 0410
GMT 29 Mar 95

[FBIS Transcribed Text] Madrid, March 28 (XINHUA)—China today called for adherence to peaceful means in solving conflicts at the 93rd conference of the Inter-Parliamentary Union (IPU) in Madrid.

Teng Teng, a member of the Standing Committee of the National People's Congress of China, who headed the Chinese delegation, made the appeal in a conference address.

Some 600 representatives from 119 countries are attending the six-day conference, which started Monday.

Teng urged the UN to abide by the spirit and principles outlined in its charter in maintaining international peace and security.

He noted that the conflicts and disputes in today's world are caused by profound and complicated historical and social factors, such as religious, ethnic and cultural differences or territorial claims.

As a result, he conceded, the search for peace may often face many obstacles and take a long time. But, he emphasized, in the long run, this is the only effective way to achieve peace.

Experience has shown that interfering in other countries' internal affairs, applying pressure, imposing sanctions or even resorting to force will only make problems more complicated and difficult to resolve, Teng said.

Turning to another problem, the Chinese delegate called on developed countries to help the Third World in disaster reduction by increasing financial aid and providing technology and expertise.

Teng proposed the setting up of a global disaster reduction fund and urged governments to integrate disaster reduction in their economic and social development plans.

Qian Qichen Leaves on Six-Nation European Tour

OW2803094495 Beijing XINHUA in English 0936
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen left here by air today for an official visit to six European countries.

He was invited by the foreign ministers of Latvia, Slovakia, Bulgaria and Iceland and the governments of Moldova and Yugoslavia.

Chinese Vice-Minister of Foreign Affairs Jiang Enzhu will accompany Qian on the visit to Iceland and Vice-Minister of Foreign Affairs Dai Bingguo to other countries.

Qian and his party were seen off at the airport by Li Shuwen, deputy secretary-general of the State Council, as well as diplomatic envoys of Bulgaria, Iceland, Yugoslavia and Slovakia here.

U.S., DPRK To Continue Nuclear Talks

OW2803170895 Beijing XINHUA in English 1451
GMT 28 Mar 95

[FBIS Transcribed Text] Washington, March 27 (XINHUA)—The United States and The Democratic People's Republic of Korea (DPRK) will continue their talks over the type of light-water reactors to supply to DPRK under a nuclear accord, U.S. officials said today.

Speaking to reporters after talks in Berlin between U.S. and DPRK negotiators had ended ahead of schedule earlier in the day, U.S. Secretary of State Warren Christopher denied that the talks had broken down.

"I certainly would not describe the discussions as having been broken down or broken off, nor has there been any agreement reached," Christopher said.

He indicated that the earlier ending of the talks was all part of the negotiating process between Washington and Pyongyang on the nuclear deal.

U.S. and DPRK negotiators Monday [27 March] ended their third round of talks on the reactor issue two days ahead of schedule. It immediately triggered off a wave of news media reports suspicion of the future of their nuclear accord signed last October.

Under the accord, DPRK agreed to freeze and finally dismantle its current nuclear programs in exchange for alternative energy supplies and two light-water reactors.

But the two sides have failed to break a deadlock over the type of the reactors in their talks.

The United States, South Korea and Japan created an international consortium three weeks ago to supply the DPRK two South Korean-type reactors on the grounds that Seoul had agreed to pay a large part of the funds to construct the reactors.

However, the DPRK has repeatedly stated that it would not accept the South Korean reactors under the U.S. Pressures, stressing that the South Korean ones are unsafe technically.

The DPRK reportedly warned for the first time last week that it would restart its now-frozen programs if the impasse could not be solved.

News reports here quoted unidentified U.S. officials as saying that the U.S. and the DPRK would hold new talks at an undecided time and place.

Beijing Calls For Regulation in Outer Space Use

*OW2903045195 Beijing XINHUA in English 0424
GMT 29 Mar 95*

[FBIS Transcribed Text] Vienna, March 28 (XINHUA)—China stands for the formulation of laws regulating the peaceful use of outer space and space activities, a senior Chinese official told a UN session on outer space today.

He Qizhi, head of the Chinese delegation to the 34th session of the UN Sub-Committee on the Peaceful Uses of Outer Space, said that with steady progress in space technology and expanding human activities in outer space, it is imperative to work out reasonable laws governing the development of space technology and space activities.

Referring to calls for an earlier examination and modification of the principles concerning the use of nuclear power source in outer space. He said there is no need so far to make hasty modifications to those principles, which are contained in a UN resolution passed at the 47th UN General Assembly in 1992 as a result of the concerted efforts by all member states and the legal sub-committee.

However, he stressed that the use of nuclear power source in outer space should be restricted only to space flight missions, which cannot be accomplished with other power sources.

The principles of peaceful use of outer space should be upheld so that nuclear power source will not be used for military purposes in space, he added.

On the issue of utilizing the synchronous orbit, the Chinese official noted that due to limited resources on the orbit, laws governing the use of this orbit should be based on the principles of equality, economy and efficiency, in addition to taking into account the interests of various parties, particularly those of developing countries.

He said the use of outer space should be aimed at promoting the welfare and interests of all nations, and that special considerations should be given to the need of developing countries.

He expressed the hope that substantial progress will be made on the principles of international cooperation in peaceful exploration and use of outer space.

He said China and the United States have signed a memorandum on the commercial launch of satellites, which provides that China will launch 11 synchronous satellites for overseas clients during the 1995-2001 period.

The Chinese Government has always attached great importance to the work of enacting an international space law within the framework of the United Nations, and China, as a developing country exploring outer space, will continue to make its due contribution to this undertaking, he reiterated.

The current session of the Legal Sub-Committee meeting opened here Monday and will last until April 13.

MOFTEC Calls For Open Regional Cooperation

*OW2803140995 Beijing XINHUA in English 1357
GMT 28 Mar 95*

[FBIS Transcribed Text] Kuala Lumpur, March 28 (XINHUA)—A Chinese delegate to the Meeting on Regional Development Cooperation here said China supports the idea of open regional cooperation.

Long Yongtu, Assistant Minister of Foreign Trade and Economic Cooperation [MOFTEC], told a session today

that with the rapid progress of the world economic integration, a country alone cannot develop its economy in isolation.

Even a region, such as Asia-Pacific, can only achieve efficient regional cooperation in joint efforts with other regions, Long said.

"Therefore, we are for open regional cooperation," he said.

The three-day meeting was organized by the United Nations Development Program (UNDP).

As far as regional cooperation in Asia-Pacific is concerned, Long said, the economies of the developing countries in the region are the most vibrant. Without economic and technical cooperation among the developing countries, there won't be successful regional cooperation in Asia-Pacific, he stressed.

"We hope that the issues of common concern among developing countries in the region, such as technical transfer, investment promotion and poverty eradication, will be the priorities of UNDP regional cooperation, Long emphasized.

Reasons Behind Clinton's Russia Trip Analyzed

*HK2803134495 Beijing RENMIN RIBAO in Chinese
25 Mar 95 p 6*

["News Analysis" column by staff reporter Huang Qing (7806 2532): "Why Did the U.S. President Decide To Visit Russia?"]

[FBIS Translated Text] Washington, 21 Mar (RENMIN RIBAO)—The White House officially announced on 20 March that President Clinton would visit Moscow on 9 May to meet with Russian President Yeltsin and attend the celebrations of the 50th anniversary of the victory of the anti-fascist war.

Clinton's invitation to visit Russia was extended by Yeltsin last January. In view of the recent aggravation of the situation in Chechnya, whether Clinton will accept the invitation has become a rather sensitive issue these days. The United States and Russia have been consulting each other through diplomatic channels. On 16 March, Yeltsin stated that, during its celebrations, Russia would not display its latest weapons but only some obsolete equipment used in World War II. At the same time, Russia also agreed in principle to let international observers visit Chechnya. In the end, the United States officially announced Clinton's plan to visit Russia in response to its invitation.

The announcement of Clinton's plan to visit Russia has aroused a strong reaction among Republican congressmen in the United States. Some people have said that the plan to visit "conveys a completely wrong message at a completely wrong time." Others have said that this "serves as an approval of Russia's invasion of Chechnya, its sale of nuclear technology to Iran, and its

intervention in the affairs of former Soviet republics." The European countries' reaction to this announcement has been relatively mild. British officials expressed a certain degree of disappointment, but both British Prime Minister Major and French President Mitterrand said they would attend the celebration in Moscow, while German Chancellor Kohl has not made his final decision yet.

Clinton's decision to visit Russia indicates that the United States is attaching importance to Russia. U.S. State Secretary Christopher said to the press that the Middle East and Russia are the focal points of the United States' foreign relations. He objects to the U.S. House of Representatives speaker Gingrich's idea that the United States should cut aid to Russia if Russia sells nuclear technology to Iran. He maintains that the way to deal with Russia is to try to persuade it, continue to help it destroy nuclear weapons, and offer it aid to expedite the privatization process. On the one hand, Christopher has stated that the United States is not putting all its stakes on Yeltsin; on the other, he has stressed that Yeltsin "deserves our support."

The above facts show that, although the United States has become more doubtful about Yeltsin after the Chechnya incident, it is still more afraid that the rise of the extreme nationalist forces in Russia would be unfavorable to the West. Therefore, the predominant aspect of the U.S. policy toward Russia is still to continue to support Yeltsin and maintain his status, with a view to ensuring that the development trend in Russia will not be reversed. At present, the United States is striving to maintain a type of good relations with Russia, so that the United States can influence Russia, but will not incite Russia to confront it because of a sense of isolation. Besides, given the changes in the post-war international power structure, a cooperative relationship with Russia will enable the United States to keep the initiative in international affairs. It is out of this basic policy concern that Clinton has decided to respond to Russia's invitation to visit, at the risk of damaging U.S. interests in domestic and foreign affairs.

Clinton made the choice to schedule his visit to Russia during the anniversary of the victory of the anti-fascist war in Europe after much consideration. Last year, Russia was excluded from the activities commemorating World War II, which strongly offended Russia. Officials at the U.S. Department of State realize that the Russians think that their country paid the highest price for victory in World War II, and therefore they regard the commemorative activities as an issue of national dignity. Clinton's visit will satisfy Russia's desire to be recognized in this area.

APEC Research Center at Tianjin University

*OW2903094195 Beijing XINHUA in English 0906
GMT 29 Mar 95*

[FBIS Transcribed Text] Tianjin, March 29 (XINHUA)—China's first institute for the study of the Asia-Pacific Economic Cooperation Organization (APEC) was set up today in Tianjin-based Nankai University.

The Center for APEC Studies of Nankai University will coordinate Chinese research in the field, promote scholarly exchanges and provide policy consultancy for the Chinese government and enterprises, according to Xue Jingxiao, executive director of the center and dean of Nankai's School of International Business.

Trade relations with APEC members play a very important role in China's foreign trade activities, according to Tian Congmin, deputy director of the Foreign Affairs Office under the State Council.

The center will be open to outside researchers, who will come from domestic universities, research institutes, government departments and enterprises.

The center's research topic for this year will be an analysis of the APEC's prospects, the contradictions between developed and developing economies in APEC and their coordination, the facilitation of trade, the process of the liberalization of APEC, the relations between APEC and the WTO, and the influence of APEC's liberalization on the Chinese economy.

Officials from the Ministry of Foreign Affairs, the Ministry of Foreign Trade and Economic Cooperation, the State Council's Foreign Affairs Office and the State Education Committee, and 30 experts and scholars from around the country attended the first seminar of the center following the opening ceremony.

United States & Canada

Rong Yiren Meets West Virginia Governor

OW2903092695 Beijing XINHUA in English 0815
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Chinese Vice-President Rong Yiren said here today that China is able to handle problems in its economy, such as inflation, to ensure a sustained, rapid and healthy economic development.

During a meeting with Governor of the U.S. State of West Virginia Gaston Caperton here this morning, Rong said that China is able to realize its goal this year to limit its price rise rate to within 15 percent.

He also noted that the Chinese government is making efforts to tackle other problems such as agriculture and state-owned enterprises.

He continued that China is increasing its investment in agriculture and paying great attention to revitalizing its agriculture with science and technology.

On state-owned enterprises, Rong said that China is carrying out a series of reform measures to establish a modern enterprise system.

Practice over the past 16 years has proved that China's reform and opening policy is correct, and China will continue the policy and further expand its opening, added Rong.

He noted that China has gained a lot of experience in foreign trade and using overseas investment, and in the future, China is to further strengthen its legal construction and improve its investment environment, so as to create more opportunities for overseas investors to take part in competition in the Chinese market.

Caperton said that West Virginia pays great attention to its economic cooperation with China, saying that he believed that the cooperation has broad prospects.

Zou Jiahua Meets Former Secretary of State

OW2903095495 Beijing XINHUA in English 0949
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Chinese Vice-Premier Zou Jiahua met with General Alexander Haig, former secretary of state of the United States, here this afternoon.

Haig, chairman of the Worldwide Associates, Inc., has been a senior honorary consultant of the China Ocean Shipping Corporation since 1993, and his current China trip is to help the Chinese corporation to seek foreign partners.

Central Eurasia

Latvian Foreign Minister Foresees Cooperation

OW2903063295 Beijing XINHUA in English 0529
GMT 29 Mar 95

[FBIS Transcribed Text] Riga, March 28 (XINHUA)—Latvian Foreign Minister Valdis Birkavs said here today that there exists a broad vista for closer economic cooperation between Latvia and China.

Birkavs, who is also a deputy prime minister, said in an interview with XINHUA that Latvian businessmen are interested in China, the largest market in the world.

The sea ports of Latvia have great potential which can be utilized for Sino-Latvia cooperation in shipping, he said.

Other fields identified by Birkavs for cooperation between Latvia and China include science and technology, culture and tourism.

He expressed the belief that the upcoming visit by Chinese Vice Premier and Foreign Minister Qian Qichen to Latvia will create a better atmosphere for bilateral cooperation in trade and other areas.

Qian is scheduled to arrive in Riga on Wednesday [29 March]. The Latvian capital is the first leg of Qian's six-nation European tour which will also take him to Slovakia, Bulgaria, Iceland, Moldova and Yugoslavia.

Birkavs described Qian's visit to his country as a "very important and practical step" in speeding up the development of the relationship between the two nations.

Qian's visit will provide a good chance for a second high-level meeting between Latvia and China within half a year, he said.

Latvia highly values China's support to it for independence, the Latvian foreign minister said.

On Latvia's foreign policy, Birkavs said that as a Baltic country, it is crucial for Latvia to develop a good cooperative relationship with the other two Baltic nations, Lithuania and Estonia. He added that Latvia also strives to strengthen cooperation with the other 10 countries around the Baltic sea.

To achieve integration with Europe is Latvia's set target, Birkavs said, adding that the country is trying to join the European Union and NATO as early as possible.

He said that Latvia has no intention to enter into any sort of alliance within the territory of the former Soviet Union.

Latvia's relations with Russia are constructive and as a matter of fact the Latvian-Russian relationship has been normalized to a great extent, Birkavs said.

The two outstanding issues in the relationship between Latvia and Russia are the territorial dispute and the continued stay of 4,000 retired Russian soldiers and their dependents in Latvia, he said.

He added that Latvia wants to have a normal relationship with Russia, a relationship that will not hinder Latvia's integration with Europe.

Northeast Asia

Delegation Meets ROK's Kim Yong-sam

OW2803231895 Beijing XINHUA in English 1419
GMT 28 Mar 95

[FBIS Transcribed Text] Seoul, March 28 (XINHUA)—South Korean President Kim Yong-sam said here today that the exchange of visits between the ruling parties of South Korea and China is of great significance to the development of relations between the two countries.

Kim, who is also president of the Democratic Liberal Party (DLP), made the remarks at a meeting with Li Shuzheng, head of the International Liaison Department of the Central Committee of the Communist Party of China (CPC).

Li arrived here on Monday [27 March] for an eight-day goodwill visit to South Korea at the invitation of the ruling DLP.

Kim said that relations between South Korea and China in all fields have developed rapidly since the two countries established diplomatic ties in 1992.

"South Korea-China relations will become the best good-neighborly relations if such a development trend continues," he noted.

Li said that the CPC attaches great importance to the development of good-neighborly relations between China and South Korea and to the development of its friendly ties with the DLP in line with the principles of independence and self-determination, equality, mutual respect and non-interference in each other's internal affairs.

Li also said the aim of her current visit to South Korea is to strengthen mutual understanding, enhance mutual trust, develop friendship and promote cooperation so as to push forward the development of relations between the two countries and the two ruling parties.

DPRK, Japan Hope To Normalize Ties

OW2903105595 Beijing XINHUA in English 1023
GMT 29 Mar 95

[FBIS Transcribed Text] Pyongyang, March 29 (XINHUA)—Senior party officials from the Democratic People's Republic of Korea (DPRK) and Japan shared the hope that dialogue leading to normal relations between the two countries would be resumed through the visit here of a group of Japanese politicians.

The manifestations came from Kim Yong-sun, secretary of the Korean Workers' Party and Michio Watanabe, former Japanese Foreign Minister, who arrived here on Tuesday on a three-day visit at the head of an 11-member delegation from Japan, the Korean Central News Agency reported.

The Japanese delegation comprises lawmakers from the Liberal Democratic Party and its partners in Japan's ruling coalition, the Socialists and the Sakigake party.

Speaking at a banquet on Tuesday [28 March] in honor of the Japanese delegation, Kim recalled that a three-party joint declaration was issued in September 1990 at the conclusion of the visit of a Japanese delegation of the Liberal Democratic Party and the Socialist Party.

Eight rounds of talks had taken place between the two sides before it stalled in 1992 when Japan raised additional conditions and brought the idea of other nations into the negotiations, Kim said.

Kim said that the current visit should provide an historical opportunity for the two countries to resume talks on the normalization of bilateral relations.

Michio Watanabe said on behalf of his delegation, he deplores and apologizes for the great pain and damage Japan had brought to the Korean people in the past.

The purpose of his visit is to revive the talks between the two governments as soon as possible, Watanabe said.

Earlier in the day, the DPRK delegation led by Kim Yong-sun held talks with the Japanese delegation.

Kim said in the talks that the two sides should discuss their issues independently and do not speak on behalf of any other country.

Southeast Asia & Pacific**'Roundup' Views Sri Lankan Peace Process***OW2903102695 Beijing XINHUA in English 0743
GMT 29 Mar 95*

["Roundup" by Hu Guangyao: "Lankan Peace Process Likely To Move Again"]

[FBIS Transcribed Text] Colombo, March 29 (XINHUA)—Sri Lanka's peace process which has been stalled for the last two months is likely to move again as there are signs that the government and the Liberation Tigers of Tamil Eelam (LTTE) will soon resume the peace talks.

According to informed sources, the fourth round of peace talks between the government and the LTTE will be held sometime next week in the rebels' stronghold Jaffna and a senior minister will lead the government's negotiation team.

Political analysts here believe that the peace process initiated by President Chandrika Kumaratunga will move again as the LTTE is under the pressure from all sides.

The peace process is welcomed by the people in the war-affected areas, especially in northern Jaffna, and accepted by the majority of the Sinhalese community in the country.

Meanwhile, the international community has lauded the government for its peace efforts and urged the LTTE not to miss the historic chance for a political settlement of the ethnic crisis.

The LTTE on March 17 sent a letter to Colombo, requesting the government to respond to its three demands by March 28, or it would take "painful decisions" on the peace process. The demands included the removal of the strategic Pooneryn Army Camp, total lifting of the economic embargo and the restriction on fishing in northern waters. The LTTE ultimatum really posed a serious threat to the peace process. However, two days after issuing the ultimatum, the LTTE wrote to the government again, explaining the reason why it wanted the government to respond to their demands just because the northern people are facing hardships in their daily life.

Meanwhile, reports from Jaffna said that LTTE leaders had indicated that the LTTE would not insist on its demand for the removal of the strategic Pooneryn Army Camp.

The LTTE softened its stand on the demands and this indicated the LTTE's willingness to continue the peace talks with the government.

However, the LTTE complained that although the government had partially lifted the economic embargo, many goods still could not reach Jaffna due to security

checks. It urged the government to take measures to ensure supply of sufficient goods to the northern people.

Regarding the LTTE demands, the government said the Pooneryn Army Camp could not be removed at present, but other demands of the LTTE could be considered.

The government and LTTE have had three rounds of peace talks so far. The third round paved the way for the cessation of hostilities which commenced on January 8. So far there have been no major violations of the ceasefire.

The fourth round of peace talks was delayed because the LTTE wanted to discuss the remaining day-to-day matters while the government wanted to begin political discussions and to work out a solution to the ethnic problem.

The LTTE said it would be prepared to enter into political discussions after the pressing day-to-day matters were resolved.

The day-to-day matters in question include lifting the economic embargo, especially the ban on petrol and diesel, further relaxation of the ban on fishing in northern waters and opening safe passage to Jaffna by vacating the Pooneryn camp.

Sri Lanka's acting Finance Minister G.L. Peiris told reporters here last weekend that the government is considering the lifting of ban on petrol and diesel and transport of goods had already been expedited.

Further relaxation of fishing restrictions was also being studied, he said.

Regarding the other two matters—removal of the strategic Pooneryn Army Camp and conversion of the cessation of hostilities into a permanent ceasefire, Peiris said they could be considered once political talks gather momentum.

Near East & South Asia**Li Peng, Velayati Stress Importance of Relations***LD2803083895 Tehran IRNA in English 0702 GMT 28
Mar 95*

[FBIS Transcribed Text] Beijing, March 28, IRNA—Chinese Prime Minister Li Peng here Monday told the visiting Iranian Foreign Minister 'Ali Akbar Velayati that Beijing attaches great importance to its relations with Tehran.

The Chinese premier made the remark in a meeting with Velayati who arrived in China on the first leg of his four-nation Asian tour which will also take him to Thailand, Vietnam and Malaysia.

Outlining global political and economic situation in the aftermath of the Cold War, Li Peng said that Iran and China enjoyed common views and stands towards many regional and international issues.

He remarked therefore, [words indistinct] the two countries should further strengthen their bilateral relations in all fields.

The Chinese official stated that each country has the right to make progress according to its culture, religion and tradition, adding that no country is allowed to interfere in internal affairs of others.

Iran and China can complement each other in various economic fields where proper grounds exist for their cooperation, noted Li Peng.

Underlining the need for the expansion of Tehran-Beijing relations, Velayati in reply said that there were certain countries which followed their political objectives under the pretext of international concerns such as human rights and disarmament.

He criticized the double standard of certain Western countries towards such issues and said that international circles should put an end to discriminatory attitudes.

The two officials also discussed international and regional developments including the situation in Afghanistan, Iraq and the Persian Gulf region.

Velayati arrived here Monday morning on a three-day official visit. Earlier on the day, he held talks with his Chinese counterpart Qian Qichen.

Israel, Shanghai Sponsor Cooperation Symposium
OW2803170695 Beijing XINHUA in English 1458
GMT 28 Mar 95

[FBIS Transcribed Text] Shanghai, March 28 (XINHUA)—Israel is taking a close look at this economic hub to promote sales of its medical equipment and other technology for agriculture, telecommunications, computer software, and environmental protection.

At the "Symposium on Israel-Shanghai Economic Cooperation" sponsored by the Israeli general consulate in Shanghai, Israeli diplomats and representatives of major Israeli corporations explained economic development, trade policies, and their own situation here today. Some 100 people, including local officials and entrepreneurs, attended the symposium.

Israel is willing to share advanced technology with China, Assaf Harel, first secretary of the Israeli Embassy in China, said.

Sino-Israeli foreign trade has been increasing since they established diplomatic relations in 1992. Last year, foreign trade between the two countries reached 150 million U.S. dollars, and its trade with Shanghai stood at 20 million U.S. dollars.

To date, Israel has funded seven projects in Shanghai, involving 3.6 million U.S. dollars worth of investment.

The two countries should have more trade exchanges, something which would benefit both sides, according to Assaf Harel.

Jiang Zemin Meets Saudi Arabian Prince
OW2803124395 Beijing XINHUA in English 1148
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Chinese President Jiang Zemin met with Saudi Arabian retired general Prince Khalid Bin-Sultan Bin-'Abd-al-Aziz today, hoping for joint efforts to accelerate the development of the bilateral cooperative relations in various fields. Extending welcome to the prince's China trip, Jiang praise the retired general's positive role in helping advance the relations between the two countries and in facilitating the contacts between leaders of the two countries.

The strengthening of Sino-Saudi Arabia friendly relations constitutes an important factor in keeping Asia stable and in maintaining world peace, Jiang noted.

Prince Khalid said he would continue to make efforts to further the bilateral relations. He was deeply impressed by China's world-renowned achievements in various fields in the years since China began to implement the reform and opening policies, the Prince said. He believed a strong China would contribute to the peace and development of Asia and the world.

West Europe

Spanish Officials Pay Visit to Beijing

Jiang Zemin Meets King, Queen
OW2903091295 Beijing XINHUA in English 0810
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—The current China visit by Spanish King Juan Carlos and Queen Dona Sofia will surely give an impetus to the all-round growth of bilateral ties, Chinese President Jiang Zemin said here today.

Meeting with the royal couple in the Great Hall of the People here this morning, Jiang said that Sino-Spanish ties have progressed very well in recent years. High-ranking officials from both sides have exchanged visits, and bilateral economic cooperation and trade expanded continuously.

The Chinese government places great importance on developing its long-term, stable and friendly cooperation with Spain, he said.

Jiang noted that the Chinese and Spanish economies are supplementary, adding that there exist potentials and broad prospects for bilateral economic cooperation and trade.

He said the two countries have much in common. Both have long histories and splendid cultures, and both have contributed to the civilization of mankind.

Over the past decade or more, he added, Spain has scored gratifying achievements in developing its national economy and making its national culture prosper, while China has also scored a tremendous success in its reform and opening-up as well as economic construction.

Both countries are also willing to commit themselves to working for world peace and development, he said. Their common points constitute a sound foundation for the friendly ties between the two nations, he added.

Extending a warm welcome to the royal couple, Jiang noted that on their second visit to China after 17 years they would play an important role in boosting bilateral relations and deepening mutual understanding and friendship between the two peoples.

Jiang recalled his visit to Spain in 1986, saying that he had been deeply impressed by the intelligent and hard-working Spanish people, and their friendly sentiments toward the Chinese people.

The couple arrived here yesterday on a state visit to China as Jiang's guests.

The king said he was very pleased to visit China again at a time when it is undergoing all-round development.

He said the exchange of visits between leaders of the two countries is of great importance for promotion of state-to-state cooperation.

The Spanish government values highly the importance of developing its ties with China, praises the country for its rapid economic development over the past few years and also appreciates the active role it is playing in international affairs, the king said.

He expressed a desire to further deepen mutual understanding and friendship, and enhance in depth the bilateral relations in every field, economic cooperation and trade in particular.

Accompanying the king is a 200-odd member delegation, including Foreign Minister Javier Solana Madariaga and other government officials, as well as more than 100 entrepreneurs.

He said the entrepreneurs accompanying him on the visit hope to explore new ways and areas for bilateral cooperation with their Chinese counterparts.

During the meeting, Jiang briefed the guests on the situation in China's economic growth.

Carlos invited Jiang to visit Spain at a time convenient to him, and Jiang accepted the invitation with pleasure.

Prior to the meeting, Jiang hosted a grand welcoming ceremony for the royal couple and their entourage at the Great Hall of the People.

This evening, Jiang is to give a banquet in honor of the Spanish king and queen.

Entrepreneurs Discuss Ventures

OW2803232995 Beijing XINHUA in English 1442
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Many Spanish entrepreneurs hope to invest in China and are involved in talks on setting up joint ventures, according to Enrique Fanjul, the president of the China Committee of Union of Commerce, Industry, and Navigation of Spain.

Fanjul, who is here accompanying the Spanish king and queen on a visit to China, made the remark at a press conference here this afternoon.

He stressed the fact that a system for expanding Spanish investment in China should be established, and added that his committee will encourage more Spanish businessmen to get involved in China's infrastructure construction as well as in the textile industry.

Political & Social

Wu Yi 'Almost' Promoted to Vice Premier

HK2903103095 Hong Kong LIEN HO PAO in Chinese
19 Mar 95 p 1

[Report: "Wu Yi Almost Promoted but Failed in the End; Jiang Chunyun Transferred to Beijing To Facilitate Investigation Into Big Cases"]

[FBIS Translated Text] According to informed sources, Wu Yi, minister of foreign trade and economic cooperation, was once a candidate for the post of vice premier, to replace Jiang Chunyun who had originally been picked for the post. However, during the recent Sino-U.S. talks on intellectual property rights [IPR], Wu Yi made too big a concession to the United States on behalf of China, so she was removed from the list. Eventually, the post went to Jiang Chunyun according to the original plan. Informed sources pointed out that the idea of appointing Wu Yi to the office of vice premier came about mainly because the mainland will host the World Women's Convention this year. As the top echelon on the mainland lacks a female leader, the mainland authorities wanted to promote Wu Yi to show that they attach importance to the status of women. However, because the society was unhappy when Wu Yi made too big a concession during the Sino-U.S. IPR talks, when the CPC Central Committee consulted the democratic parties on the candidacy last week, Wu Yi's name was eventually removed from the list.

Informed sources said that when Jiang Chunyun was transferred from Shandong to Beijing last year, it was indeed to prepare him for the post of vice premier. But during several national work meetings, Jiang Chunyun gave a bad impression to some people from the localities, who thought he was not eloquent enough, so the central authorities considered replacing him with Wu Yi. When these local officials returned home, they talked about their impressions of Jiang Chunyun, to the extent that some deputies to the National People's Congress also did not have a favorable impression of him, which was one of the important reasons that Jiang Chunyun did not get many votes for his candidacy for vice premiership.

According to informed sources, when the central authorities transferred Jiang Chunyun from Shandong, one consideration was to eliminate his influence in the province so as to facilitate the anticorruption struggle in Shandong. Not long ago, the entire leadership in Shandong's Taian City was dismissed for its involvement in economic crime. But this was only a small case. Major cases will be handled in the future. Cadres at the deputy department level will be implicated, and the money involved may reach 1 billion yuan; rumors say Jinan City is being targeted.

According to analysis by informed sources, the anticorruption drive is an important measure by Jiang Zemin to further consolidate the CPC's reign, and the case of

Shoudu Iron and Steel Corporation in February was only the first wave in Jiang Zemin's campaign against corruption. CPC elder Wan Li, who was linked to the case of Shoudu Iron and Steel Corporation, is currently considered to be a member of the "nonmainstream" [fei zhu liu pai 7236 0031 3177 3175] in the political arena on the mainland, but it is hard to predict the outcome of the struggle between the "mainstream" [zhu liu pai] and the "nonmainstream."

Jiangxi Governor on 1995 Economic Work at NPC

HK2803124795 Nanchang Jiangxi People's Radio
Network in Mandarin 1100 GMT 8 Mar 95

[FBIS Translated Excerpt] When discussing Premier Li Peng's government work report with the Jiangxi delegation at the Third Session of the Eighth National People's Congress [NPC] in Beijing, Governor Wu Guanzheng stressed the need to pay earnest attention to agricultural production, improve state-owned enterprises, strengthen grass-roots organizations, and develop Jiangxi's economy. Wu Guanzheng said: In this year's economic work, Jiangxi must focus on two major issues and one basic task. One of the two major issues is agriculture, in which we must produce more grain, cotton, oil, and pigs by every possible means. The other is improving state-owned enterprises. [passage omitted] The one basic task is strengthening grass-roots organizations at the township and village levels to develop the economy. There is a need to develop township and town enterprises, strengthen the village-level economy, and help poor areas change their backwardness as soon as possible. [passage omitted]

Method of Implementing Forty-Hour Week Reported

SK2803113095 Beijing XINHUA Domestic Service in Chinese 2107 GMT 25 Mar 95

[FBIS Translated Text] Beijing, 25 Mar (XINHUA)—Following is the method of the Ministry of Personnel to implement the "State Council's Regulations Concerning Working Hours of Workers and Staff."

Article 1: These methods are formulated according to the "State Council's Regulations Concerning Working Hours of Workers and Staff." (Hereafter called the "regulations" in short).

Article 2: These methods are applicable to workers and staff of state organs, social groups, and establishments within the territory of the PRC.

Article 3: Workers and staff work eight hours a day and 40 hours a week. State organs and establishments should carry out the unified work-day system; Saturday and Sunday should be fixed as off days. In carrying out this system, the fulfillment of work tasks should be ensured. Organs and establishments that are required to continue working on state-designated off days and holidays

because their work is closely related to the security, health care, and other aspects of daily life of the people should have their staff and work shifts readjusted appropriately and have their management strengthened in order to ensure these organs and establishments will work as usual on Saturday and Sunday and provide convenience for the people.

Article 4: For workers whose work hours need to be shortened appropriately because of engaging in labor work under special conditions and special circumstances, various provinces, autonomous regions, municipalities, and responsible departments should offer opinions to the appropriate higher authorities; these opinions should be reported to the Ministry of Personnel for approval.

Article 5: For those who are unable to abide by the standard work-hour system of working eight hours a day and 40 hours a week as restricted by the nature or duties of their work, the responsible departments of the State Council should work out their opinions and may adopt an irregular work-hour system or aggregate work-hour calculation system after being approved by the Ministry of Personnel.

Departments and units that cannot carry out the unified working-hour system of the state as required by their work may adopt the method of a rotating shift system and may make flexible arrangements for off days in line with practical situations; this method should be reported to the personnel departments at the same level for the record.

Article 6: Working hours can be prolonged on the following occasions:

- 1) When the safety and health of people and property of the state encounter serious threats and need emergency solutions due to the occurrence of serious natural calamities, accidents, or other disasters;
- 2) When one is working to fulfill the urgent tasks of the state or other urgent tasks assigned by higher authorities.

Article 7: When workers' working hours are prolonged based on Article 6, compensated off days should be arranged correspondingly.

Article 8: Establishments that find it difficult to carry out the "regulations" on 1 May 1995 may defer the implementation appropriately, with the deadline set for 31 December 1995. During the deferred period, the present working hours system of the state should be carried out continuously.

Article 9: Personnel departments at all levels should conduct supervision and inspection over the implementation of the "regulations."

Article 10: Personnel departments of people's governments of all provinces, autonomous regions, and municipalities as well as departments in charge of trades under the State Council should offer opinions according to the

"regulations"; these methods in combination with the practical situation of their own localities and trades, and these opinions, should be reported to the Ministry of Personnel for the record.

Article 11: These methods come into force on 1 May 1995.

Article 12: The Ministry of Personnel is responsible for making any explanations of these methods.

Rules Issued Against Unauthorized School Fees *HK2803104895 Beijing CHINA DAILY in English 28 Mar 95 p 2*

[By He Jun: "Random School Fees Prohibited"]

[FBIS Transcribed Text] China's top educational administration stressed that more efforts are needed for the national campaign against unauthorized fees levied on primary and high school students, which have aroused great social concern.

Liu Bin, Vice-Minister of the State Education Commission, announced yesterday a series of measures and regulations for this drive at a teleconference.

The new regulations include:

All students of nine-year compulsory education must enter schools nearest to their address and no school should enroll students who choose their school even if their parents offer donations.

All classes must follow the standard curriculum. No school is allowed to run additional classes which charge fees from students.

No school should force students to buy any reference books, studying materials, newspapers and periodicals, or goods, other than authorized textbooks.

No institution should force students to pay fees that should be collected through other channels.

No institution is authorized to levy fees other than those which have been approved by the central government.

The State Education Commission will organize national investigations from July to September this year to check up on local governments' implementation of these rules.

Liu also urged local governments to adopt practical measures to increase educational funds and improve educational quality.

Due to a lack of funds and pressure from local governments, some schools collect all kinds of fees from their students for things such as exams, military training, heating, lunch, house renovation, and study references.

According to statistics from 20 provinces, 1,100 unauthorized students fees were found.

Guangdong, Hainan Police Arrest Animal Smugglers

OW2903074395 Beijing XINHUA in English 0723 GMT 29 Mar 95

[FBIS Transcribed Text] Haikou, March 29 (XINHUA)—Forestry police in Hainan and Guangdong provinces have cracked an unusual case involving stealing and selling swans and other animals at a profit.

The police recovered 44 swans and detained several suspects.

Swans are under the State's second-grade protection.

On March 15, when the Hainan Provincial Forestry Public Security Bureau got a tip-off that someone was going to smuggle swans from Zhanjiang, a port city in Guangdong Province, to this capital of Hainan Province, the police and staff members of the Hainan and Haikou wildlife protection stations took immediate action and caught Meng Xinfei driving a truckload of wildlife, including 12 white swans, 23 mongooses and 800 various types of birds in Haikou at two o'clock the next morning.

With information from Meng, the police arrested Chen Ziyang, said to be the ringleader, in Zhanjiang City and discovered 32 white swans and other wild animals in his possession.

The culprits confessed that the swans were purchased in Guangdong and Hunan Provinces, and the Guangxi Zhuang Autonomous Region. They were to be sold for 1,200 yuan each in Hainan and then sold to restaurants at the price of 1,800 yuan per kg.

They said they had sold altogether 150 swans to Hainan since last year.

According to Han Qingyuan, deputy director of the Haikou City Forestry Bureau, this is the most serious case of illegal sales of wildlife ever to have occurred in China.

All the 12 white swans confiscated in Hainan had broken wings and legs. Three have died and the rest are being cared for at the Haikou Wildlife-Breeding Center.

The case is still being investigated.

Science & Technology

High-Tech Products Exchange Center To Open

HK2403134395 Beijing ZHONGGUO XINWEN SHE in English 1154 GMT 24 Mar 95

[FBIS Transcribed Text] Beijing, March 23 (CNS)—In order to enable scientific and technological products in the non-government sector to enter domestic and foreign markets, and increase productivity in this field, the High-Tech Products Exchange Centre for Non-government Science and Technology Enterprises in China will be set up in Beijing.

The centre will adopt a membership system, and will be administered by the State Science and Technology Commission, China Association for Science and Technology, and the All-China Federation of Industry and Commerce. It will also be a promotion, exchange and wholesaling centre for domestic and overseas markets for new high-tech products, and will involve qualified scientists and technicians. Modern publicity and sales techniques will be used to develop sales for its members.

The centre will also set up a long-term exhibition hall in Beijing. It will choose typical enterprises producing new, high-tech products as its members. It will develop towards a shareholding system, a network chain and internationalization.

In recent years, non-government enterprises have been developing rapidly; there are 80 million non-government enterprises in the whole country. China Association of Scientific and Technological Industrialists in Non-Government Sectors follows the principles of "not having fund allocation from the State; not being organized by the State; voluntary organization; self-fund raising; autonomous operation, and personal responsibility for profit and loss." It is a mass organization formed by industrialists engaged in science and technology, inventors, scientists and technicians in all sectors who are enthusiastic in supporting scientific and technological industries in this sector.

According to the statistics provided by the departments concerned, the annual economic growth rate of all kinds of scientific and technological enterprises in the non-government sector is over 70 percent. Up to the end of last year, 79,000 scientific and technological enterprises in this sector had revenue from industrial trade of over RMB 100 billion [renminbi]. Some new scientific and high-tech enterprise groups, which are famous in the Mainland and overseas, such as Stone Group Company and Legend Group Company, have emerged. They have become an effective strength in the national economy and cannot be neglected.

Mr. Song Jian, State Councilor and the Director of the State Science and Technology Commission said, "Scientific and technological enterprises in the non-government sector will play an important role in the development of new scientific and high-tech industries. Therefore, we should support their work, create a good environment for their development so that they can take on the task of developing large-scale modernized enterprises and taking a share of one-third of China's economy as soon as possible."

China Launches Aerial Meteorological Project

OW2403143395 Beijing XINHUA in English 1409 GMT 24 Mar 95

[FBIS Transcribed Text] Beijing, March 24 (XINHUA)—China has launched its largest aerial meteorological project, with a loan of 660 million Japanese yen.

The Civil Aviation Administration of China (CAAC) announced this here today.

The project, including an air weather information data bank and a satellite facsimile broadcasting network, is aimed at standardizing the management of weather information and improving the accuracy of forecasting, a CAAC official said.

The computerized data bank is designed to be linked up with data banks at CAAC flight command centers in Beijing, Guangzhou, Shanghai, Chengdu, Xian, Shenyang, and Urumqi. The projected satellite broadcasting network will be linked up to the data banks.

When completed, the project will be able to transmit in a speedy and accurate manner all sorts of weather information through CAAC's Beijing Meteorological Center to meteorological centers all over the country, as well as in Asia and Europe.

Internet To Officially Open to Public in April

OW2803081095 Beijing XINHUA in English 0752 GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—The China Internet is to officially open to the public in April this year, according to the Data Telecommunications Bureau of the Ministry of Posts and Telecommunications.

The China Internet, believed to be the embryo of the future "information superhighway", will enable users in China to exchange electronic information with users on the world's largest computer information network—the Internet—and enjoy all of the information resources on that network.

According to the bureau, the China Internet has been founded on the two major data telecommunications networks China has built in the past few years—the China Public Packet Switching Data Network (Chinapac) and the China Public Data and Digital Network (DDN), both of which are fairly large in scale and are internationally technically advanced.

In recent years China's public data telecommunications network has been developing fairly rapidly. To date, Chinapac directly covers 688 cities, with nearly 60,000 terminals; while DDN covers 292 cities.

In addition, China has so far set up nine E-mail systems, with a terminal capacity of 30,000, and five cities have opened videotex businesses.

The bureau indicated that the China Internet will be further expanded within the year, so as to make it a backbone information network for the development of the national economy.

Oceangoing Space-Survey Ship Constructed

OW2803113495 Beijing XINHUA in English 0854 GMT 28 Mar 95

[FBIS Transcribed Text] Shanghai, March 28 (XINHUA)—"Yuanwang No. 3", a new oceangoing space-survey ship, was handed over to the China Satellite Launching Monitoring System Department today in Shanghai.

The ship, equipped with new technologies for space-surveys and telecommunications, was built by the Shanghai Jiangnan Shipyard, one of the largest in China.

The ship is designed for accurate surveying, monitoring and controlling of satellites and other space craft.

Two other oceangoing space-survey ships, the "Yuanwang No. 1" and "Yuanwang No. 2", built in 1979, helped with the launching and monitoring of the "Asia-sat 1" and the "Optus" satellites.

China is the fourth country to own oceangoing space-survey ships, after the United States, Russia and France.

Experts say that the "Yuanwang No. 3" will improve China's space-surveying ability and enhance China's ability to launch international commercial satellites.

China Pacific Insurance Settles Satellite Claim

HK2803130895 Beijing ZHONGGUO XINWEN SHE in English 1120 GMT 28 Mar 95

[FBIS Transcribed Text] Shanghai, March 28 (CNS)—At a press conference today, China Pacific Insurance Corporation announced that they had completed investigation of the ill-fated AP II satellite project and had settled the claim in full of US\$160 million, within 50 days after the accident.

On January 26, 1995, at Xichang Satellite Centre a model HS 601 telecommunications satellite AP II, manufactured by US's Hughes Corporation, exploded within seconds after it was launched and ended in total loss. The satellite was owned by Asian Pacific Telecommunications Satellite Ltd. in Hong Kong and was insured by China Pacific Insurance Corporation, covering the launching project and the orbits, at a premium of US\$160 million. In addition, coverage of third party liability after the satellite was ejected from the rocket was also arranged and the ceiling of compensation was limited to UK 100 million sterling. This case so far, involves the highest premium ever insured by an insurance company in China.

On February 8, 1995, China Pacific Insurance Corporation and the co-insurers checked and affirmed the claim, together with supporting documents, submitted by the policy-holder and accepted that there was a case for compensation. Owing to the fact that the third party liability policy had yet to come into effect, China Pacific Insurance made a full refund of the premium paid to

Asian Pacific Telecommunications Satellite Ltd. in Hong Kong on February 21, 1995.

On March 17, 1995, China Pacific Insurance Corporation settled the claim in full by remitting a payment of US\$160 million to Asian Pacific Telecommunications Satellite Ltd., concluding the satellite project as high tech, high premium and highly risky. Asian Pacific received their payment within a period of 50 days and were satisfied with the speed and efficiency of the Corporation.

Power Line Compensator for Railways Developed

OW2903054795 Beijing XINHUA in English 0231
GMT 29 Mar 95

[FBIS Transcribed Text] Tianjin, March 29 (XINHUA)—Engineers with China's Ministry of Railways have made a breakthrough in developing a new type of compensator to achieve constant tension on the power lines of electrified railways.

Power lines expand with heat in summer and contract with cold in winter, but the safe running of the locomotives requires maintaining a constant tension along their entire length.

The new compensator is in essence a butterfly spring serving as an equalizer, which tenses or relaxes itself automatically when power lines expand or contract, thus maintaining the desired tension on the power lines.

Technicians pointed out that the butterfly spring requires special material, however, and that this particular spring's design guarantees proper resilience.

China has been using a kind of pulley and counter-weight combination along electrified railway power lines. The weights are made of cast iron or concrete material, and have to be added or taken off using human labor during different times of the year, resulting in a great deal of work.

Experts point out that, what is more, there have to be hundreds of such combinations along one thousand-km stretch of electrified railway alone. What is worse, the weights tend to swing in high winds and become dangerous.

Military & Public Security

CMC Notice Endorses Various Army Reforms

HK2903073695 Beijing RENMIN RIBAO in Chinese
27 Mar 95 p 3

[Report: "Central Military Commission Issues a Notice, Urging Consolidation of Production and Operations, and Rectification of Achievements in Reform"]

[FBIS Translated Text] The Central Military Commission has recently issued a "Notice on 'Endorsing the Report on the Situation of Consolidating and Reforming

Production and Operations of the Whole Army,'" calling on various units throughout the Army to consolidate, develop and rectify their achievements in reform, and to enhance the economic efficiency of their production and operations.

In the "Notice," the Central Military Commission says that rectification and reform in production and operations throughout the Army is an important decision of the CPC Central Committee and the Central Military Commission. In the winter of 1993, the Central Military Commission made a special "Decision on Consolidating and Reforming Production and Operations of the Army." Over the past year or so, the entire Army has firmly implemented this "Decision" by the Military Commission, unified its thinking, strengthened leadership, strictly enforced discipline, and overcome difficulties in order to fulfill the task of consolidation and reform in a better way. The Central Military Commission has endorsed the report submitted by the leading group responsible for consolidating and reforming production and operations throughout the Army.

The "Notice" stresses, "Great achievements have been made in consolidation and reforms, which inevitably will produce a profound influence over the building of our Army. Various units throughout the Army must continue to implement the 'Decision' of the Military Commission, conscientiously sum up their experiences, overcome weak links, solve existing problems, strengthen and develop the achievements in consolidation and reform, and resolutely prevent any taking the road back. They must meet the demands of the socialist market economy and the new management system, make efforts to do well in production and operations, and constantly enhance economic efficiency. They must unify their planning, increase investments, and exert great efforts to grasp agricultural and sideline production. The production and operations of the Army must adhere to a correct orientation and serve the enhancement of the fighting capacity of troops. As far as the distribution of production earnings is concerned, it must favor our troops and grass-roots units, and play a positive role in the building of the Army."

Ministry Promises Tough Response to Gangsters

HK2803104695 Beijing CHINA DAILY in English 28
Mar 95 p 1

[By Ma Chenguang: "Global Net Catches Gangsters in China"]

[FBIS Transcribed Text] China faces an ongoing threat of underworld gang activity being brought in from abroad, a senior police officer said yesterday.

These criminals, however, will meet serious and efficient countermeasures in China, thanks in part to international efforts to fight crime.

"China will never provide them with a safe haven and they will be extradited, as soon as we catch them," said Zhu Entao from the Ministry of Public Security.

He added that if gangsters commit crimes in China, they will be punished according to Chinese law.

He cited cases of drug traffickers smuggling narcotics from the Golden Triangle and using China as a route to markets overseas as an example.

Last year, Chinese police seized 3,700 kilograms of heroin and 1,700 kilograms of opium smuggled from the Golden Triangle of Myanmar, Thailand, and Laos. This was a drop from 4,000 kilograms of heroin and 3,000 kilograms of opium in 1993, Zhu said, attributing the fall to China's tougher antidrug measures.

Zhu, who is the director general of the China National Central Bureau of the International Criminal Police Organization (Interpol), acknowledged that there were some criminal gangs in China but added that they did not resemble the Mafia in Western sense.

To seek closer cooperation with member states and the headquarters of Interpol in combating transnational crime, Zhu said, China will for the first time host an Interpol annual meeting from October 4-10 this year.

The 64th Interpol General Assembly meeting is also aimed at publicizing China's police units and deterring crimes in China, he noted.

Representatives from the 176 member states of the 72-year-old Interpol will gather in Beijing to examine strategies to fight organized crime, trafficking of drugs and cultural relics, and economic crime, for the next century.

***Article Reports on PLA Night Battle Training**

95CM0155A Hong Kong HSIEN-TAI CHUN-SHIH in Chinese No 216, 11 Jan 95 pp 12-14

[Article by Yeh Hsun-chun (0673 6676 6511): "China's Army Putting Vision Into the Nighttime Battlefield"]

[FBIS Translated Text] Armies must often fight at night. Those who are good at it will win the battle and those who are not will lose. There are countless Chinese and foreign examples, both today and throughout history. Under the present high-tech conditions, night fighting is still an important part of a war machine. Of several regional wars that have occurred in recent years, most were started at night, for example, the war over the Malvinas Islands in 1982 and the Gulf war in 1991. In these two conflicts, one of the important reasons why Argentina and Iraq lost the war was their lack of night fighting capability. So it is only by learning to engage in nighttime fighting can we have positive results in future battles. The People's Liberation Army [PLA] has always paid attention to night fighting, and especially today, under the leadership of the Central Military Commission, when it has pushed nighttime training and reform to a new peak.

A Great Military Nighttime Exercise

With an eye to future real battles, the PLA not only pays attention to daytime training and reform, but also to nighttime training and reform. What was most significant was in June 1994, when one army conducted very significant nighttime training on the ancient Zhongyuan and Qilu battlefields.

Liu Huaqing [0491 5478 3237], deputy chairman of the Central Military Commission, was present at the nighttime training site accompanied by General Chief of Staff Zhang Wannian [1728 8001 1628], and the former gave important instructions. On June 13th, Deputy Chairman Liu stated at the nighttime exercise site that it was advantageous for the nighttime training reform to select as topics how to fight at night in high-tech circumstances and how to train soldiers, and that for the entire military to be actively involved in the night training reform was a historical development. Once we find the correct method, we must popularize the experience, develop and improve it, and consolidate our progress by making a true effort to carry it out. Before this, Deputy Chairman Liu had raised the point of how our military might accomplish the transition from combat under normal circumstances to winning regional battles in high-tech circumstances. After deeper reforms in training, we have explored some successful methods for a new, military-wide wave of exercises that will be marked by further reform. This will be aimed at resolving such high-level issues as having the several service arms coordinate their fighting, and comrades throughout the military must keep up with and develop the favorable circumstances of this sort of exercise.

The night battle conducted by the PLA in western Henan lasted for five nights, with real soldiers, real equipment, and real bullets. Let us select from this a group of wonderful pictures:

On the night of 14 June 1994, at Motian Zhai in western Henan, a team of troops participating in the exercise lay under cover. At this spot, a nighttime mountainous area attack would soon start, with a reinforced infantry division.

Suddenly, a "Blue Army" reconnaissance helicopter appeared in the front of the "Red Army." It inspected the "Red Army," and the "Blue Army" advanced technical facilities, such as night vision equipment, radar, electronics, etc., all together formed a three-dimensional reconnaissance network. At that time, the infantry troops on the ground one by one changed to the shape of bumpkins, the tanks changed one after another to earth platforms, cannons changed their form to many small forests..., these and many other counterfeit targets spread among them made it hard for the "Blue Army" to distinguish the true from the false.

The "Red Army" interfered with the "Blue Army" with its command system's jamming equipment, neutralized the "Blue Army" fire power with their own cannon,

shielded its own forces by having them rapidly spread out under the cover of heavy smoke, and formed a complete and deep offensive situation against the "Blue Army."

The "Red Army" commanders quickly analyzed the intelligence obtained from their own nighttime reconnaissance equipment, such as aircraft, radar, video recorders, battlefield monitoring systems and heat image-formatting machines, and issued various commands during the battle by means of an automated command system. They organized and commanded the various ground arms of the services in organic coordination with the air force and air defence forces. They conducted powerful head-to-head attacks, rapid penetration, multiroutine infiltration, interception, surrounding, and attack from the air.... The battle between the two armies left one dazzled.

We discovered from the several days of maneuvers that China's military has improved from the previous small element troop nighttime training to large-scale training for entire divisions or regiments, and has expanded from the previous single sort of troop nighttime training to joint nighttime training involving several arms of the services; it has improved from the previous short distance ground training to multidimensional-space nighttime training.... All this is preparation for the "big article" of suiting regional battles to high-tech circumstances. Therefore, we can say that this time the nighttime exercises made the "article" more colorful.

Restoring Nighttime Power

In previous wars, the PLA defeated its apprehension-filled enemies by using nighttime combat and achieved countless wartime victories. However, the times progress, tactics develop, and earlier types of night fighting cannot be moved and copied for use today. The Chinese military deeply understands that we must renew our concepts and catch up with the pace of the times if we want to restore the power of nighttime battle.

First of all, we must correctly understand today's night warfare. It is always said that one "cannot compare today with yesterday," and this statement cannot really be more true than when it is applied to night battle. Today's night warfare is conducted under high-tech conditions, therefore, the previous method of using night darkness and topography for "cover" will no longer be applicable today in light of today's night vision equipment. In the past, night warfare was a type of supplementary tactic, but it has developed into an important form of battle, and has also become an important factor having decisive influence on the overall progress of a war. Therefore, improving the ability to fight at night is an important measure in improving overall ability to wage war.

Second, we must explore ways in which the inferior can defeat the superior. Nighttime battle equipment has developed very rapidly in many of the world's developed

countries, and the overall technical level is higher than that of China's. What is China's future in such a situation? Deputy Chairman Liu Huaqing pointed out that we must follow the road of innovation by exploring existing equipment, and this will improve our combat efficiency in time. He also said that the key lay in liberating ideology, consolidating the mind, and bringing subjective initiative and creativity into play. If we can get into and make a study of this, we will be able to find the countermeasures by which the inferior win out over the superior. According to Deputy Chairman Liu's directions, the Chinese military must begin with technology and work hard to push the reform of nighttime battle techniques. Nighttime army exercises should put advanced night reconnoitering equipment, camouflage and command equipment, etc., to use by real armies and in real exercises under high-tech conditions to improve the military's night combat ability. Military equipment which is not advanced in function or lacks night combat capability should be upgraded through technical innovation and improved operational procedures to suit the demands of night combat.

Finally, there must be tactical breakthroughs, with military theory rising to a higher level. High technology is a "hotbed" of production for new tactics. The Chinese military constantly summarizes war examples from both inside and outside of China; while studying our counterparts, we should gain a correct knowledge of ourselves, continue to bring out new tactics according to the development of modern warfare, as well as undertake tests in circumstances where the various service arms wage war in coordination. For example, the tactics thinking used by the mass of commanders in which their soldiers are shielded by protective cover, advance rapidly, make deep-probing attacks and attack from several directions, etc., are all new developments in traditional Chinese military tactics against the background of today's nighttime combat. All these supply new "nutrition" to the improvement of military theory. Through the night exercises, the Chinese military is groping for some rules of waging war under high-tech conditions. This is absolutely necessary for establishing the combat theoretical system demanded by the military's war mission in this new era. It will further develop China's science of tactics, science of campaigns, and science of strategy, and will bring Chinese military theory up to a new level. We have reason to believe that the PLA, a "night tiger" good at waging war in the past, will restore its power in the future.

*Officials Discuss Defense Conversion

Huai Guomo's Views

95CM0156A Hong Kong HSIEN-TAI CHUN-SHIH
[CONMILIT] in Chinese No 216, 11 Jan 95 pp 20-21

[Article by COSTIND Vice Minister Huai Guomo (2037 0948 2875): "China's Defense Conversion Policies and Development"]

[FBIS Translated Text] The peaceful uses of military industrial technology is a necessity of historical development. The Western European nations, at the end of the two world wars, all confronted the problem of military-to-civilian conversion. The fundamental substance of this process was that each nation, under the conditions of moving from a wartime environment into a time of peace, reorganized and transferred the key elements of production—including real estate and natural resources, capital and manpower, and well as scientific technology and information—for their more rational allocation and effective utilization, so that military industrial technology and production capacity could serve post-war recovery and peacetime construction.

We can say that the question of military conversion is intimately bound up with many factors including each nation's strategies for defense, the economy, and the development of science and technology, with industrial policies, and with the transfer and movement of the labor force, and so forth. It impacts on fundamental questions of world peace, disarmament, international social stability, and world economic growth. Especially now with the cessation of the Cold War, its importance becomes especially evident. Thus the impact of the military-to-civilian conversion has been growing over the past several years and has attracted the widespread attention and concern in all nations of the world. A great many knowledgeable people have worked unstintingly to push forward the process of international military conversion.

We believe that the most important significance of changing the course of national defense and the peaceful utilization of military industrial technology is the development of science and technology to transform advanced military science and technology into productive forces, to give impetus to the development of the national economy and the prosperity of mankind. This is the common desire of the citizens of all nations worldwide, and is the common hope of the broad masses of scientists, engineers and technical specialists. Military science and technology plays a leading role in the development of world science and technology. The exploitation and utilization of the civilian form of these technologies will free a tremendous amount of energy and give a tremendous impetus to economic, technical and social growth, bringing along with it new social cultures and material prosperity. Comrade Deng Xiaoping's dictum that science and technology is the primary productive force embodied on a higher level gives major significance of military-to-civilian conversion. Science and technology (S&T), including military S&T, cannot change directly into an actual force of production. Only when an S&T item efficiently becomes a commodity which conforms to a market demand is it able to achieve the goal of transforming into a productive force. Speaking in this sense, military conversion is a complicated process and involves a great many aspects including the allocation of resources, the insurance of funding, market exploitation, technology transfer, operational management, and the

training of personnel. This will only happen after a long period of intense work on our part.

China's Experiences in Military Conversion

China's initiation of military conversion began in the 1970's. After some 10 years of effort, China's defense S&T industries have completed the first steps in realizing the change from singular production of military hardware to a combination of military and civilian production. The initial mechanisms for the shift of military S&T to civilian uses have been established. Over 70 percent of the gross output value of military businesses and industries is from products for civilian use. Coming into the 1990's, with the increased acceleration of China's reform and opening up, military conversion entered a new stage of accelerated development. A review of the development of China's military to civilian conversion shows the following characteristics:

- (1) Military conversion is a major component of the nation's development strategy and is strongly supported on all sides.
- (2) Successful military conversion depends first of all on a change in thinking and outlook.
- (3) Military conversion must be carried out in organic combination with the guidance of state policies and market regulation.
- (4) Simultaneous with carrying out product structure adjustments, we must reform the enterprises' internal operating mechanisms.

Continue Pushing Onward With New Measures of Conversion

On the basis of the developments in the preceding stage, military conversion, through the better adjustment of product structure and the changes in and deepening reform of operational mechanisms, will equally open wider the gates to joint ventures, cooperation and circulation worldwide and propel military conversion to a new higher level.

Initiate Reform of the Management System of Military Industries, Promote the Transformation of Enterprise Operational Mechanisms

For a long time now because of the implementation of the highly consolidated planned economic system, the line between government and enterprise did not exist; enterprises were a subsidiary function of the administrative structure; the initiative of the enterprises was never given full free rein. China's government has already issued decisions on changing the functions of the governmental structure and transformation of the enterprise operational mechanisms, and set forth the concrete methodologies for doing so. That is, the plan is to establish enterprise operational mechanisms consistent with the requirements of the socialist market economy, to ensure that the enterprises truly become commodity development, production and business units which are

independently operated, responsible for their own profits and losses, self-developing and self-restraining in accordance with the laws, and legal corporate bodies which independently enjoy civil rights and bear civil obligations.

In order to realize the transformation of the operational mechanisms of the military industries, during this reform of the governmental structure, all of the other departments of the military industry will change to industrial corporations, becoming economic bodies and industrial conglomerates. This is other than for the establishment of the Ministry of Electronics Industry, which still retains trade management functions for the electronics industry. Such a major reform of the military industry management system must of necessity forcefully propel the growth of the military industry enterprises.

Further Explore New Mechanisms Compatible with the Growth of the Socialist Market Economy.

China determined to establish the new system of a socialist market economy in order to have the market play a fundamental role in the allocation of resources within the framework of socialist state macroscopic controls, causing economic activity to accord with the requirements of the law of value and to comply with changes in the relationship of supply and demand. This was also done by means of the functioning of price levers and competitive mechanisms, to position resources into a relatively beneficial linkage and give enterprises the pressure and motivation to achieve the success of the superior and the discarding of the inferior. This was also done by making use of the advantages of the market in flexibly reacting to all types of economic signals and promoting the timely coordination of production and demand. The military industrial enterprises must also follow these principles and energetically explore new mechanisms of military-civilian conversion which are compatible with socialist market requirements. For instance, in the area of management styles, in accordance with the fact that military and civilian products have different end uses, we should draw the line between military and civilian, and implement independent accounting and management. In the area of enterprise organization, we should form business conglomerates and establish joint ventures with foreigners. In the area of styles of enterprise asset management, we should continue to implement and improve the management contract responsibility system, attempt a stock system, and enlarge the financial and capital arena for military-civilian conversion.

Improve the Product Structure, Expand into New and High Level Technology. Military to civilian conversion is bringing tremendous changes to the industrial structure and to the product structure of China's defense S&T industries. However, in an analysis of a few trades and enterprises, the proportion of products incorporating new, high technology was still relatively small, and those which could enter international markets were thus fewer still. The technical superiority and inherent strength of defense S&T industries cannot yet be demonstrated. Among these military industries, they have researched and exploited a whole series of new and high technologies and have amassed a great many S&T

achievements and also recruited a great number of personnel well versed in high technology all for the production of military products. This has created beneficial conditions for the growth of high technology industries. For these reasons, within the near future, the major development direction for China's military-civilian conversion is to promote the growth of new high technology industries, to carry out the declassification, commoditization, and exploitation of military high technology and the fruits of various types of scientific research. We will then bring them onto the market and produce beneficial economic results.

Strive to Develop International Economic and Technological Cooperation

Modern high technology industries possess special characteristics for superior combinations of production factors in the international arena; the higher the technology added value, the degree of unique newness, and the strength of infusion of the new high technology industry or segment, the higher the demands of the internationalized order will be and the greater the need for international cooperation. China's defense S&T industries have already established trade relations and economic and technological cooperation with several dozen nations and regions of the world. Cooperation on some of the significant high technology projects especially brought about obvious progress and comparatively good results. On 17 October 1994 the Sino-American Defense Industries Conversion Joint Committee was established, for example. China's defense industries will, on the basis of equal mutual benefit, continue to develop across the board cooperation in aircraft for civilian use, applications satellites, nuclear power plants, electronics applications technology, civilian ships and land vehicles as well as other military conversion high technology industrial applications.

Enhance Training and Information Exchanges

In the process of military-to-civilian conversion, we must continue to enhance personnel training, so that personnel whose specialized knowledge has been limited to military product research and production can change their outlook as quickly as possible and make available the various types of new technical abilities which are needed in the competition in the civilian products markets. In the past we have held training classes for military industry leaders many times and sent them overseas to study international finance and market economy management. In the future we must expand this training work in order to promote international cooperation. We must enhance the collection, handling and exchange of information for military conversion, and strengthen proof, analysis and consultation in regards to investment and exploitation projects.

Yu Zonglin on Defense Conversion

95CM0156B Hong Kong HSIEN-TAI CHUN-SHIH
[CONMILIT] in Chinese No 216, 11 Jan 95 pp 22-24

[Article by State Planning Commission Defense Department Director Yu Zonglin (0060 1350 2651): "Military

to Civilian Conversion: The Second Coming of China's Defense Science and Technology Industries"]

[FBIS Translated Excerpt] In 1978 Comrade Deng Xiaoping proposed the great strategic idea that the defense science and technology (S&T) industries should support the "integration of military and civilian, of war and peace." Under the guidance of Xiaoping's idea, the teeming masses on the front lines of defense science and technology industries who had already made tremendous contributions toward the establishment and growth of a new China, began treading the thorn-covered, hope-filled road of the "second industrial creation." In the past 15 years, while accomplishing their mission of researching, testing and producing military equipment, our defense S&T industries have been vigorously expanding civilian product production. The work of combining military and civilian efforts has achieved substantial successes. The civilian product value has averaged an annual increase of over 20 percent. The proportion of civilian product value in the gross output value of the defense industries has risen from the 1979 level of 8 percent to 75 percent in 1993. Currently the defense military industries can produce close to 15,000 different civilian products, making a contribution to the growth of the national economy, especially the development of high and new technologies. [passage omitted]

Defense S&T Industries' Production of Civilian Products

Since the 11th Plenum of the 3rd Central Committee, the defense S&T industries have achieved outstanding results in implementing "combining military and civilian." According to rough statistics, over 600 civilian product production lines capable of producing over 50 major categories and 15,000 varieties of products have been established. Over these 15 years, they have contributed a huge amount of technical equipment for the technical refurbishment of the energy, communications, raw materials, machinery and electrical equipment, and light textile trades. They have provided a great amount of support and peripheral equipment to aid the domestic production of imported equipment. They also have supplied a tremendous amount of household consumables for the market and made remarkable achievements in the build-up of the national economy. Product structure has undergone major transformations, and the military industry enterprises have already transformed from single military product operations to military-civilian combined operations. From the beginning, the military electronics industries and the shipbuilding industries have supplied both military and civilian products, and after some reorganization have now implemented a product structure with the military and civilian combined.

In 1992 the nation produced 12 million color TV sets, approximately 30 percent of which came out of military electronics enterprises. In TV exports, the military industry enterprises accounted for almost 20 percent of

total exports. The military electronics industries have created a great number of famous brand name products. The ship-building industry concentrates on boat-building and over 40 percent of the boats built were exported. The nuclear power industry with nuclear power as its basis, is engaged in multiple product operations, already producing some 1,300 different types of civilian products. The Taishan Nuclear Power Plant and Guangdong's Daya Bay Nuclear Power Station are completed and supplying electrical power. Besides all this, isotopes and other nuclear technological applications have had major successes. In the aircraft industry, during the seventh 5-year plan period civilian aircraft were developed and already three civilian types have been certified. The designs of four models have been finalized, and over 200 civilian aircraft have been manufactured. In addition, over 5,000 non-aircraft related products have also been produced.

The armament industries have already initiated the formation of a development pattern based on "three lines of operation: machinery, photo-electricity and chemicals, with vehicles as the mainstay," and are producing several thousand civilian products. Space industries' satellites and transport rockets have found widespread applications in a wide variety of arenas including communications and broadcasting, weather service and resource exploration, and have made several breakthroughs in services provided foreign businesses. Successes have also been seen in the area of high and new technologies, such as numerical control machine tools, industrial control systems, and various types of robots. The cars and trucks, motorcycles, medical equipment, textile machinery and chemical products produced by the military industries represent a considerable percentage of the sales of similar domestic products. In 1991 the output of vehicles by the military enterprises represented 11 percent of total national production; for several years now motorcycle production has exceeded 50 percent of total production. The largest color TV plant is a military enterprise, and so is the largest producer of motorcycles. Currently some 50-60 percent of the enterprises have had mainstay civilian products, and when the technical transformations of the eighth five-year plan are completed, over 80 percent of the enterprises will have one or two mainstay civilian products; when that occurs, they basically can survive by relying on the production of civilian products.

The expansion of civilian production by the defense S&T industries has allowed the military industry enterprises to free themselves from the state of stagnated research and production brought on by the decline in orders for military products, and caused a non-stop rise in the technical and production capabilities and the production levels of the defense S&T industries. This has increased their actual strength, brought them a new lease on life and new vitality, and stabilized the military industrial work force.

Despite the fact that the combining of the military and civilian has achieved obvious successes, there have been

numerous difficulties and problems in the midst of growth. For instance, there are imbalances developing between various departments, regions and enterprises. The growth of civilian production still faces great difficulties and production equipment is not well-matched with products in demand on the civilian markets. Funding is lacking and many of the products are of middle or low grade. There is much small-batch production and the high and new technology products developed by the military industry enterprises are slow in going from one-off production to industrial mass production, and so forth.

Basic Experiences with Military-Civilian Combining

Combining military-civilian is major policy promulgated by the Center on the level of national strategies in accordance with the shift in the emphasis of state work and new changes in the international situation. It necessitates taking a long-term view, discarding the unitary military industry viewpoint, and making an unshakable resolve to travel the military-civilian combined path. Reform and opening up are mighty motivators promoting the expansion of military-civilian combination. Implementing this combination and pushing forward reform and opening up are both intended to utilize the superiorities and abundant capabilities of the military industrial technology to better serve defense construction and the buildup of the national economy.

We must make scientific and technological progress, especially production which exploits high technology, as the direction in which we exert our strength. As to the order of product development, we must put in first place doing a good job on those products of the relevant military industrial departments (such as aircraft for civilian use, satellites, ships and boats, explosives for civilian use, nuclear power applications, etc.), and secondly make use of the strong points of military industrial technology to open up new realms of production and

service. We must also do a good job in transforming military technology and production into civilian usages, in order to be of service to the technical renovation of themselves and of traditional industries, and to help expand exports.

We must take a benefits viewpoint, emphasize enhancing economic benefits. We must learn a lesson from civilian enterprises in raising the productivity of labor, in raising the efficiency of fund utilization, and in lowering product costs. Only in this way can we strengthen our competitive edge in the markets and revitalize ourselves in the midst of reform and opening up.

Historically the growth of the defense industries has garnered the firm support and cooperation of all departments and regions, and has sustained an activist role in fully mobilizing and in relying on all sides. This is one of the basic experiences of successful military-civilian combination.

We have to break out of the "wait, depend on, requisition" mentality and establish a "strive, create, and dare" mentality, giving full play to the spirit of self-reliance and hard work.

The reorganization of the industrial organizational structure, the advancement of economic unity, and the evolution into corporations and conglomerates are major conditions for the success of military-civilian combination.

We must implement a foreign-oriented development strategy. Civilian product production must be directed toward both foreign and domestic markets.

Multiple product operation is the general character of the development model of the product structure of just about any large industrial corporation in the world today and should be the general character of the product development of our nation's military industrial corporations.

General

Qiao Shi Concludes Fujian Province Inspection*OW2803233195 Beijing XINHUA in English 1426
GMT 28 Mar 95*

[FBIS Transcribed Text] Xiamen, March 28 (XINHUA)—Qiao Shi, chairman of the Standing Committee of the National People's Congress (NPC), stressed the point that it is important that the whole country do practical work to carry out the set principles and policies governing various sectors.

Qiao Shi, who is also a member of the Standing Committee of the Political Bureau of the Chinese Communist Party Central Committee, made the remarks during an inspection tour of southeast China's Fujian Province, that ended today.

During the six-day tour, he inspected the Economic and Technology Development Zone in Fuzhou, the capital city of the province, the Haicang Investment Zone and the expansion project of Gaoqi International Airport in Xiamen, as well as a local company and two industrial development areas.

He noted that progress has been made in the province in various fields, hoping that Fujian's economy will grow faster in the coming years so as to lay a solid foundation for the development in the next century.

He stressed that agriculture should be given priority in order to help develop other economic sectors as well as stability in society.

He stressed that all the government's policies and measures for the development of agriculture should be implemented, and related plans should be carried out.

In developing agriculture, he said, advanced technology and improved strains should be introduced from at home and abroad in order to ensure that the agriculture development can meet the needs of the country's modernization drive.

Fujian should deepen the reform of state-owned enterprises, he said, adding that great efforts should be made to reduce losses and increase profits and raise economic efficiency of the enterprises.

Fujian and Taiwan are separated only by the Taiwan Straits. Exchanges across the Straits in trade and economy have been developed in recent years, and there have also been exchanges in science, education, arts, and religion.

Qiao Shi said that Fujian has played an important role in the development of relations across the Straits, and the economic development and social stability in Fujian will contribute a lot to the unification of the motherland.

Zou Jiahua Says Beijing To Survey Industry*OW2903064095 Beijing XINHUA in English 0625
GMT 29 Mar 95*

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—China will soon launch a nationwide survey of its industrial setup, according to Vice-Premier Zou Jiahua.

Zou said that the survey will cover state-owned enterprises, township enterprises and joint ventures across the country. Subjects of the survey will be the amounts and structures of their assets, output and production capacity of major industrial goods, labor, and allocation of resources and materials, as well as production, storage and marketing of goods.

He said that the check will also cover technological levels of equipment of firms, so that the government can plan for infrastructural investment, import of technology and technological renovation.

In addition, he said, production costs, prices and profits will also be checked to help the government decide price policies.

This is the third time China has conducted such a survey, which is done once every ten years.

Zou said that enterprises should now check their accounts in preparation for the survey, adding that penalties will be applied to those which make false reports.

Article Stresses Deng Thinking on State Firms*HK2903101295 Beijing RENMIN RIBAO in Chinese
22 Feb 95 p 9*

[Article by Su Xing (5685 2502): "Invigorate State-Owned Enterprises According to Comrade Deng Xiaoping's Thinking"]

[FBIS Translated Text] I. Proceed From Reality in Everything We Do

In a conversation with some foreign visitors in 1985, Comrade Deng Xiaoping said: "China has gone through a rather tortuous road in practicing socialism. Our experience over the past two decades has revealed to us one single most important principle: In practicing socialism, it is imperative to observe Marxist dialectical materialism and historical materialism, i.e., seeking truth from facts or proceeding from reality in everything we do, as summarized by Comrade Mao Zedong." This same principle must be observed if any results can be achieved in deepening the reform of state-owned enterprises.

To proceed from reality, we must first have a clear understanding of the past and present condition of state-owned enterprises, i.e., their reality.

First, China's state economy was developed on the basis of confiscating the bureaucrats' capital and conducting the socialist transformation of private capitalism. For over 40 years, people of the entire nation have been leading a frugal life and have accumulated enormous capital. By the end of 1993, the total value of state assets of the whole country reached 3.495 trillion yuan, of which 2.6025 trillion yuan was operational state assets, accounting for 74.5 percent of the total. The state economy once made indelible contributions in the whole process of socialist economic development and had its days of glory. Today, it still holds the lifeline of the national economy and occupies a leading position in the basic industry and the overall national economy. It is an important basis of the socialist system and the basic force for accelerating reform and opening up, promoting economic development, and safeguarding social stability.

Second, state-owned enterprises have been operating under the planned economic system for a long period of time and now find it difficult to adapt quickly in the transition to the market economy, thus gradually exposing the defects of planned economy developed over the years. This has led to the various difficulties being encountered at present, including: The growth rate being slower than that of non-state enterprises; poor economic efficiency and a high percentage of enterprises operating at a loss; excessive liabilities and social obligations; the financial strain, leading to the inability to conduct technical transformation and consequently lower productivity and higher costs; the knotted system and backward management; egalitarianism in distribution dampening the enthusiasm of the work force; and so on and so forth. Some of these difficulties were formed in the past and some are new ones; some can be solved by enterprises on their own, while some cannot be solved by enterprises themselves and require gradual improvement by the state on the environment and conditions for enterprises through macroregulation and control.

Third, the urban reform which started in 1978 has been focusing on invigorating state-owned enterprises. The purpose of streamlining administration and instituting decentralization was to separate enterprise management from government administration and to enable enterprises to make their own decisions about their operations. In 1984, this principle was incorporated in black and white into the CPC Central Committee's decision on economic structural reform. Practice has proven that this reform path is not wrong. The aim of our enterprise reform is to enable enterprises to shift from adapting to the planned economic system to adapting to the market economic system. The biggest defect of the planned economic system was that planning reached all the way down to individual enterprises. As a result, first of all, enterprises were immobilized by control and, secondly, a massive economic management institution was formed. Therefore, to change the operational mechanism of state-owned enterprises, it is imperative to expand the decision-making power of enterprises and enable them to

become commodity producers and operators which hold management authority, assume sole responsibility for profits and losses, develop resources on their own, and exercise self-constraint. In the meantime, the government function should be changed and enterprise management should be separated from government administration. The present situation indicates that all enterprises which have truly exercised decision-making power in their operation have shown vigor and vitality (such enterprises taking up approximately 20-30 percent of all state-owned enterprises). The main reason why many state-owned enterprises have not been invigorated is that the change of government function has been lagging behind, and the enterprises have been under too much and excessively rigid control. The key to changing the operational mechanism of enterprises is to change the government function.

When discussing ways to invigorate state-owned enterprises, people often talk about introducing the operational mechanism of foreign-funded enterprises or that of township and town enterprises. Why? An important reason is that the government must change its function in relation to such enterprises and stop exercising the type of control that it used to exercise. Recently, I read an article by Comrade Huang Fanzhang [7806 5400 4545] on "the China Strategy phenomenon." The so-called "China Strategy phenomenon" refers to the fact that Hong Kong's China Strategy Investment Company has purchased and taken control over 200 state-owned enterprises by various means and has made changes to their operational mechanisms within a short period of time, helping deficit enterprises to make profits. The author believed that the reason those state-owned enterprises managed to change their operational mechanism so quickly was that enterprise management was separated from government administration and the enterprise could make its own operational decisions. The "China Strategy" chairman also said that the reason he had "grafted" foreign capital onto state-owned enterprises was because he wanted to help enterprises sever their ties with the government and achieve independent management. Thereupon, the author asked this question: Are we not able to help state-owned enterprises divorce themselves from government administration and achieve independent management, other than by selling them to the "private sector" or "foreign investors?" The author said: Yes, we are. I agree with the author's positive viewpoint.

In short, state-owned enterprises form the foundation of the socialist system and play a leading role in the overall national economy. Among the difficulties that state-owned enterprises have encountered in the process of changing from the planned economic system to the market economic system, some were formed in the past, some are new; some are on a microeconomic scale, and some are on a macroeconomic scale; enterprises are not entirely to blame for them and neither should they be attributed to state ownership. Since the beginning of reform and opening up,

in order to change the operational mechanism of enterprises, the approach taken in separating enterprise management from government administration, changing the function of the government, and enabling enterprises to achieve independent management has not been wrong and has generated initial results. The Third Plenary Session of the 14th CPC Central Committee proposed establishing a modern enterprise system, once again for the purpose of enabling enterprises to truly become operators and legal entities and fundamentally changing the operational mechanism of enterprises.

II. No Debate Over Viewpoints, More Effort To Race Against Time

There is one important element in Comrade Deng Xiaoping's thinking on the difference of opinion regarding reform and opening up; that is, no debate. He said: "The no debate theory is my invention. Making no debate seeks to win time to do things. Things get complicated once debate starts and time is wasted in debate with nothing to show for it. Debate not, experiment boldly, and bravely blaze new trails. The rural reform has been so, and so should urban reform." Comrade Deng Xiaoping's no debate theory refers to the practice of reform and opening up, not to differences of opinion in theoretical circles, where the spirit of "letting a hundred schools of thought contend" must still be honored and full discussions must be conducted. However, those two aspects sometimes influence one another. Therefore, when deepening the reform of state-owned enterprises, we must make it clear that we should concentrate on racing against time to carry out the principles and guidelines set by the party center, such as what was decided in the "Decision of the CPC Central Committee on a Number of Issues Regarding the Establishment of the Socialist Market Economic System," rather than debating about them in practice. Here, I would like to give a few examples.

First, regarding the public-owned economy as the main body. The "Decision" made it clear that, first of all, the status of public ownership as the main body of the national economy is primarily manifested as the dominance of state- and collective-owned assets in the total social output value; second, on a national scale, public ownership should occupy a leading position in the national economy, and this may vary to some extent in some industries and in some places. This reflects what is happening now. These days, when some people are seeing the non-public-owned economy develop much faster than the public-owned (mainly state-owned) economy, they start worrying that public ownership will one day lose its status as the main body of the national economy. Such worries are not unfounded. However, our policy maintains that public ownership is the main body and various economic sectors develop together. We must not maintain the status of public ownership as the main body by restricting the development of the non-public-owned economy. The public-owned economy, especially the state-owned economy, must take an active

part in market competition and seek growth in the midst of competition. When they have grown and become stronger, their status as the main body will not change. There are also some people who, seeing that state-owned enterprises have been too slow to change their operational mechanism, suggest that the proportion of state-owned economy be greatly reduced (e.g. to 20 or 30 percent). This idea is out of tune with the reality in China, to say the least. From the point of view of practice, we must adhere to the principles set out in the "Decision." At the moment, there is no rush to debate over the proportion of the state economy and that of the public-owned economy. Those questions have to be answered through practice. The pressing matter now is to change the operational mechanism of the state-owned enterprises.

Second, regarding the modern enterprise system. The "Decision" made it clear that the characteristics of the modern enterprise system are: Clearly demarcated property rights and ownership, well-defined rights and obligations, separate enterprise management and government administration, and scientific management. It also pointed out that a modern enterprise may take on many organizational forms, depending on the composition of its assets. The introduction of the corporate system to state-owned enterprises was a beneficial experiment in the process of establishing a modern enterprise system. This indicates that the establishment of the modern enterprise system was the deepening of the reform of state-owned enterprises in our country over the past dozen years and the aim was still to separate enterprise management from government administration and enable enterprises to achieve independent management.

The theoretical circles are divided in their understanding of the modern enterprise system. Some believe that the modern enterprise system is the same as the corporate system or joint-stock system, while some maintain that the modern enterprise system may take various organizational forms and that the corporate system is one of them. I tend to think the second understanding is more in line with the spirit of the "Decision." Comrade Wang Zhongyu [3769 1813 4416] suggested in his recent article: "To understand the modern enterprise fully, there are three points worth special attention: 1) We must avoid interpreting the modern enterprise system merely as the listing of stocks, internal fund-raising, or renaming enterprises as companies; 2) The corporate system is the typical form of the modern enterprise system, but it does not mean that all enterprises should be turned into companies; and 3) The establishment of a modern enterprise system is a systems engineering project and we must combine the change of system, transformation, reorganization, and strengthening of management with the key and difficult points that enterprises are facing at the moment." In my opinion, this viewpoint rather conforms to the spirit of the "Decision."

Third, regarding the clear demarcation between property rights and ownership. The "Decision" pointed out: "The

ownership of state-owned assets in the enterprise rests with the state, and the enterprise holds the entirety of the corporate property rights formed by the investment from promoters, including the state, and becomes a legal entity enjoying civil rights and assuming civil responsibility." This draws a clear distinction between the ownership of state assets and the right of the enterprise to possess, use, and manage them. As owner, the state only has such rights as entitlement to return on assets (collecting delivered profits or stock dividend or bonus dividend), major decisionmaking (through the board of directors in some cases), and the choice of managers. The government can no longer directly interfere in the productive and operational activities of the enterprise. As a legal person, the enterprise, under the precondition of conserving and incrementing the value of state assets, shall operate on its own initiative according to law, assume sole responsibility for profits and losses, and have the right to dispose of the property it possesses. Interpretation of property rights varies among the theorists. For example, some divide them into final ownership rights and corporate ownership rights or into ownership property rights and corporate property rights. There are also other classifications. But most people agree that ownership should be separated from the operational rights. Therefore, the "Decision" aptly adopted the terminology of state ownership rights and corporate property rights. In practice, there is no special difficulty in defining property rights and clarifying the relationship between ownership and property rights on the basis of this. What we aim to establish is the type of property rights relationship that conforms to China's reality. In the present stage of our country, the relationship concerning private property rights is clearly defined. What is not well defined is the relationship concerning public property rights, especially state property rights. To solve this problem, we can only proceed from China's reality, instead of copying from foreign books and experience indiscriminately, though we should draw upon what is worth learning from.

To sum it up, to deepen the reform of state-owned enterprises, we must observe the principles and stipulations set out in the "Decision" in our practice and refrain from debate, but seize the opportunity to do what needs to be done. Theorists may be allowed to discuss differences of opinion in academic terms.

III. Adopt Whichever Form Would Help Enliven State-Owned Enterprises

In 1962, when speaking about the recovery of agricultural production, Comrade Deng Xiaoping said: "When we ask what the best form of production relations is, we might need to adopt this attitude; that is, whichever form that helps with the recovery and development of agricultural production more easily and more quickly in a given place should be adopted there; whichever form that the masses are happy with should be adopted. If such forms are not lawful, make them lawful." We should also adopt this attitude in deepening the reform of state-owned enterprises.

A major mistake we have made in our urban reform is that only one form of asset management would be introduced at a time: When it was contracting, everybody was into contracting; when it was changing profit delivery to tax payment, everybody was into changing profit delivery to tax payment; when it was the joint-stock system, everybody wanted to introduce the joint-stock system.... And changes were so frequent that a "new trick" would come out every two or three years. Such practices are not compatible with the complexity and diversity of state-owned enterprises. Furthermore, some of those practices were invented on the basis of some principles or wishful thinking and did not undergo the test of practice. When the urban reform was launched, we did not have any ready experience to go by, so we had to wade across the river by feeling the stepping stones underneath. Now we have been engaged in reform for over 10 years and have accumulated some experience. Some enterprises have been enlivened and in some cities (e.g. Liuzhou City), most state-owned enterprises have been invigorated. Therefore, we must adopt the attitude Comrade Deng Xiaoping took toward agricultural production; specifically, whichever form would help enliven state-owned enterprises more easily and quickly in a given place should be adopted there; whichever form the enterprise is willing to adopt should be adopted. We should refrain from introducing only one mode and imposing "uniformity."

For example, Shoudu Iron and Steel Corporation [SISC], as a state-owned enterprise, did indeed invigorate itself by operating under the system of contracting. The profits it paid to the state have increased on average each year, and the enterprise has achieved significant results. Some enterprises are still rather enthusiastic about contracting and are achieving good results. In this case, we do not have to change them. The controversy began the first day that the SISC introduced contracting. Some suggested that the principle of contracting should be: The state gets the big portion, the enterprise gets the medium portion, and the individual gets the small portion. But according to the incremental profit delivery method, in so many years' time, the enterprise would end up getting the big portion. It was on the grounds of this that they doubted the viability of this practice. But the comrades at the SISC maintained that, even if the enterprise does get the big portion, the enterprise is still the property of the state, and a rich enterprise will be able to raise its technical sophistication, expand its production, and improve the living standards of its employees, which would be beneficial to both the enterprise and the state. The SISC has stood by its policy and has come through, while other enterprises which started on the incremental profit delivery form of contracting later changed into other forms of management. Looking back, one can see that it was wise of the SISC to uphold this practice. If they had followed others and made frequent changes, they definitely would not have come to where they are now.

Let me give another example. The Shanghai No. 2 Wool Mill is a group factory under the system of factory manager assuming full responsibility. Thanks to Manager Wan Deming's [8001 1795 2494] painstaking efforts, his factory was enlivened and became China's first large, one-stop enterprise operating from wool import to garment export. In the meantime, it expanded from the suburbs of Shanghai all the way to Chengdu on the upper reaches of the Chang Jiang through such means as buying, shareholding, joint venture, and risk contracting. It came to control 21 enterprises including township and town enterprises and wholly and partially foreign-funded enterprises. Among those 21 enterprises, 12 had been suffering heavy losses and have since then turned deficits into surpluses. As a result, Wan Deming won himself the title of "king of deficit fighters." Does such an enterprise have to be reorganized as a group company or a joint-stock company? When discussing the future of this factory, someone said: Because it would be an upgrade, turning the factory into a group company would typically require the superior organ to delegate a leader to the company as chairman of the board. If the chairman did not have a good knowledge of management and failed to coordinate and cooperate, the present good situation might be sabotaged. To form a joint-stock company, Wan Deming would not be able to give full play to the role he is playing now, whether he would become chairman of the board or the general manager. If he were to hold two positions concurrently, it would be nothing more than a change of name. In that case, why bother? I agree with this viewpoint. In fact, this factory has become an enterprise group in substance, not in name. Would it not be a good idea to just let it carry on like this?

The reason I cited those two examples is to illustrate one point; that is, now we have a group of successful state-owned enterprises which have been developed in different forms by proceeding from the reality and catering to different times, locations, and conditions. In the process of the reform, we should let them continue on the path they have chosen for themselves. If in the future they want to change, they should be given the freedom to choose what they think is the appropriate form.

The focus of the reform of state-owned enterprises should be placed on mediocre and deficit enterprises. We should send charcoal in snowy weather, rather than add flowers to the brocade. We should also proceed from reality, not from concepts, in helping those enterprises and should choose different forms in accordance with the conditions and wishes of such enterprises. Some enterprises can be transformed into companies limited by shares or limited liability companies; some enterprises can operate under the asset contracting system; some may form enterprise groups; some may stay as group factories (e.g. the Shanghai No. 2 Wool Mill); some can be reorganized under the cooperative shares system; some can resort to merger, leasing, or selling; and some may declare bankruptcy. In short, as long as state-owned enterprises can be invigorated, their operational mechanism can be changed,

and deficits can be turned into surpluses, any method can be used. An understanding on this issue has gradually been achieved among the middle-level leading cadres. Recently, I read articles written by two party secretaries. One article was written by Comrade Jia Qinglin, secretary of the Fujian provincial party committee. He said: "We should encourage enterprises to experiment and boldly blaze new trails. As long as it is conducive to asset appreciation, higher enterprise efficiency, and higher personal income, we will adopt whichever form of modern enterprise system proves effective. We must not impose uniformity or go in for flourishes." The other article was written by Comrade Gao Dezhan, secretary of the Tianjin municipal party committee. He said: "In view of the rather successful practices of some units, no matter what method an enterprise uses to change its operational mechanism, it must proceed from its reality. There are some requirements concerning the conversion of operational mechanisms which apply to all enterprises, such as the requirement on deepening the three institutional reforms within an enterprise. Every enterprise should make a conscientious effort to meet such requirements. In the meantime, each should follow its specific method in light of its own characteristics, so that every factory and every shop has a unique approach. Some enterprises need to reorganize into group companies through amalgamation, while others need to define smaller internal accounting units; some are better suited to contract operation or lease operation, while others are better off as joint-stock companies, and so on." In my opinion, those viewpoints are rather in line with Comrade Deng Xiaoping's approach. Following this approach, we will be able to more rapidly change the operational mechanism of most state-owned enterprises and help invigorate enterprises.

Plan To Enhance Mineral Resources Tax Collection

OW2803154895 Beijing XINHUA in English 1524
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—The Chinese Government will implement a detail scheme in near future to manage and supervise the collecting of mineral resources compensation.

Zhang Wenye, Vice Minister of Geology and Mineral Resources, said today that a special leading group has already been set up by several high-rank officials of the ministry. Their major task is to coordinate the whole money-collecting work.

The State Council issued the No.150 order in April last year, which demands all mining enterprises, including overseas-funded companies, to hand in resources compensation charge at an average rate of about 1.18 percent of their annual income.

Up to December last year, the total compensation volume yielded by mining enterprises in 19 provinces

and cities reached 202 million yuan. In the first three months of this year, the figure hit 91 million yuan.

However, Zhang pointed out that several provinces and autonomous regions have not yet drawn up trial management program on collecting compensation, several mining enterprises contribute much efforts in avoiding paying the charge, thus the collecting work has been greatly obstructed.

As he put it, the overseas-funded enterprises, especially some world-renowned mining companies, expressed full understanding to the collecting of resources compensation fees, and they considered that a step made by the Chinese Government to improve the investment environment.

Zhang noted that along with the rapid development of China's mining industry, and also the perfecting of laws and rules relating mining business, the average rate of resources compensation will certainly be raised up to meet international standards.

Electronics Industry Plans 20 Percent Increase

OW2803124595 Beijing XINHUA in English 1202 GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—China has targeted at a 20 percent increase for its electronics industry in 1995, according to the Chinese Ministry of Electronics Industry.

The total output value is expected to reach 220 billion yuan, up 20 percent over the 1994 figure.

The industry also plans to export about 12 billion U.S. dollars worth of products for the year.

The electronics sector is expected to produce a total of 12 million lines of program controlled telephone switchboards and 10 million lines of digital controlled ones for 1995.

Nation To Invest in Digital-Control Machine Tools

OW2803124795 Beijing XINHUA in English 1136 GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—A huge investment project for China's digital-control machine tool industry will see some 5.5 billion yuan (about 655 million US dollars) poured into this field.

According to an official with the Ministry of the Machine-Building Industry, China's machine tool production has enjoyed an annual growth rate of 20 percent since the 1980s, and so far the country boasts the third-largest machine tool market in the world.

On the other hand, the development of the digital-control machine tool industry has suffered from a lack of

investment and its share is no more than seven percent of the whole industry's output value.

Nowadays the digit-control machine tool sector normally accounts for more than 70 percent of the whole machine tool industry's output value in some Western countries, experts here pointed out.

At present, China's annual demand for numerically controlled machine tools is 18,000, costing about 1.2 billion US dollars, which ranks the country after Japan and Germany only.

The experts noted that the figure is bound to increase, stimulated by the rapid development of the automobile industry and other manufacturing sectors.

As high-value-added products, numerically controlled machine tools will be at the cutting edge of in the whole industry's modernization in the coming few years, they said, and the ongoing investment project will consequently speed up the formation of a large production capability to meet the increasingly vigorous international competition.

Department Reports Record Low Inflation in Shanghai

OW2903095095 Beijing XINHUA in English 0937 GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—The inflation rate in this, the largest industrial and commercial center in China hit a historical low in the first quarter of this year, the Shanghai Municipal Department of Commodity Prices announced today.

The city's retail consumer prices rose 13-14 percent in the first quarter of the year over the same period of last year, representing a three-percent drop.

A sharp decline was recorded in the prices of both consumer goods and consumer retail sales in the first two months of this year, especially in February.

The new head of the department, Li Zhenxin, attributed the price decline in the first quarter to cutback in the scale in capital construction projects, improved management of commercial links and increased supply of daily necessities.

It was reported that the local government has opened a number of supermarkets and vegetable markets since the beginning of this year, which have efficiently curbed price hikes as a result of a reduction in the number of inter-links in retail sales.

The daily supply of vegetables averaged 3,000 tons in January and reached 3,500 tons in February, while vegetable prices declined by 62 percent and 31 percent, respectively, in those two months compared with the previous year's same period.

But he added that the prices of such staples as food grain, pork, milk and sugar shipped from other parts of China maintained a rising momentum.

The city is negotiating with foreign businessmen on the building of some large pig farms and drawing up price-control regulations, Li said.

Reasons for High Jan Commodity Prices Viewed

HK2903103195 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 3 Mar 95 p 2

["Monthly Economic Analysis" column article by Mao Youfeng of the State Statistical Bureau (3029 2589 0023): "Why Did Commodity Prices Remain High in January?"]

[FBIS Translated Text] The latest statistics show that the general national economic situation was basically normal in January though commodity prices still remained high. Consumer prices across the country in January rose by 24.1 percent over last January and retail prices by 21.2 percent. Although the figures decreased by 2 and 1.4 percentage points from last December, they still stood at a rather high level. With urban and rural areas viewed separately, consumer prices for urban residents rose by 23.6 percent over last January and those for rural residents by 24.8 percent. Retail prices in urban areas rose by 19.1 percent and those in rural areas by 24 percent. Viewed from commodity categories, food prices rose comparatively much. Of the retail prices of commodities, that of food rose by 38.6 percent. In addition, prices for other commodities such as clothing, newspapers and magazines, cosmetics, daily-use articles, fuels, construction and decorative materials, beverages, cigarettes, and alcoholic beverages rose in varying degrees. The price question has already become a focus of common concern.

So why have commodity prices remained persistently high since the beginning of the year? This author thinks that it is the result of the interaction between normal factors and abnormal factors.

There are two chief normal factors:

1) The special stage of China's economic development at the present time determines that commodity prices will rise to a certain degree because it is hardly avoidable for prices to gradually rise if we are to change over to a market economy, straighten out price relationships, readjust the industrial structure, and link up with the international economy. If we analyze the question from the angle of the driving force behind price rises, we will discover that prices are mainly pushed up by the huge cost created by pressure from the sustained policy-related price readjustment, the considerable increase in investment demand and in money supply over the past two years, and by various other factors such as the tax system, foreign exchange reform, and the readjustment of wages and salaries and interest rates. Viewed from the regions, in contrast with the preceding years during

which price increases in rural areas were lower than cities, commodity prices in rural areas have persistently increased to a considerable extent. Rural areas have a greater influence on the general price level than cities. Moreover, the speed of the impact of high prices in developed coastal areas on central and western regions has obviously quickened. This is an inexorable phenomenon in the course of forming a greater nationwide unified market. 2) The residual effect of last year's large price increases was the objectively irrefutable reason for price increases in January.

The main abnormal factors are:

1) The effect of weak market management and confusion in commodity circulation. Since approximately 90 percent of commodity prices were freed, governments at all levels have not realized very well the importance of management. They have slackened in management and have not taken effective measures to curb prices. As a result, adverse phenomena such as arbitrary price increases and monopoly price increases cannot be effectively managed.

2) The effect of seasonal factors. Generally speaking, commodity prices (especially the prices of food and foodstuffs, and particularly those included in the "food basket project") obviously rise during festivals. The Spring Festival fell at the end of January this year, so consumer prices remained at a comparatively high level. Prices did not rise as sharply last year as there was only one festival, New Year's Day, last January. Therefore, the price comparison may not be appropriate.

Therefore, this author thinks that the key to stabilizing commodity prices is: On the basis of realizing the factors of price increases, we should take appropriate measures for different situations. The focus at the present time is to conscientiously pay attention to and strengthen the supervision and management of market prices, reform the circulation structure of important commodities, and form a market mechanism for open and fair competition; secure sources of supply of grain, edible oils, meats, and vegetables; properly manage wholesaling; enhance the state's ability in macroregulation and control; continue to straighten out and standardize the order of commodity circulation; step up the establishment and amplification of the various systems of laws and regulations; strictly enforce the law; and crack down on all sorts of arbitrary price increases and arbitrary fee charging and other acts of reaping exorbitant profits by improper means, so as to create a market environment for achieving the goals of macroeconomic regulation and control for this year.

'Observers': Moderate Rise Expected in TV Sales

OW2903092595 Beijing XINHUA in English 0845 GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—China's television industry is expected to register a moderate increase in the sales of color TV to some 13 million sets this year, according to market observers.

By 1994, every 100 families in China's urban areas had owned 85 color TV sets and every 100 families in the rural areas had had 10 sets, up from 80 and nine sets, respectively, in 1993.

The demand for color TV in 1995 is projected at 7.1 million sets in the urban areas, and 5.9 million sets in the rural areas.

In recent years, most of the 10 million newly weds in Chinese cities and towns a year tend to buy color TV sets. This will create a stable market for color TV makers, said observers.

The color TV demand in the countryside will also rise steadily in the coming years, though substantial increases are not likely due to limited affordability, observers said.

Black and white TV markets will continue to dominate China's rural market, especially in Inner Mongolia, Jiangxi, Ningxia and Xinjiang, where the black and white TV coverage rate is less than 50 percent.

The market for TV sets has been closely related to the growth of Chinese people's income. The coverage rate of color TV in the urban areas rose 155.26 percent between 1985 and 1988, and 55.73 percent between 1988 and 1991, compared with a 63.36 percent and 37.98 percent rise in the urban dwellers' incomes during the respective periods.

In the countryside, the coverage rate of black and white TV rose 161.79 percent between 1985 and 1988, and 65.96 percent between 1988 and 1991, compared with a 37 percent and 30 percent rise in the farmers' incomes during the same periods.

Major Points for Growth of Machine-Building Industry

HK2903073495 Beijing ZHONGGUO XINWEN SHE in English 1403 GMT 28 Mar 95

[FBIS Transcribed Text] Hong Kong, March 28 (CNS)—Digital-controlled machine tools, cars and power equipment are the focus of four main points in China's development of machine-building industry.

China has at present chosen basic machinery, basic parts, key technological equipment and cars as the focuses for developing her machine-building industry, said Chen Ruiquan, member of the Science and Technology Committee under the Ministry of Machine-building Industry and secretary-general of China's Machinery Engineering Association.

Mr. Chen said digital-controlled machine tool is the key focus in the development of basic machine-building. By the year of 2000, the varieties of China's digital-controlled machine tool will be increased from 200 in 1990 to 700 in number and the output will be raised from 7,700 to 20,000, with products reaching international standard of 1990s.

While power equipment is the key point to be developed in major technological equipment. [sentence as received] By 2000, the production capacity for large and medium-scaled fire and power equipment will be raised from 8.6 million kilowatts to 15 million kilowatts, all reaching the standard of 330 grams coal for generating one kilowatt set by the power department. Production capacity for large-scale hydro-power equipment is expected to increase from 1.4 million kilowatts to 4.6 million kilowatts, while that for medium-sized hydro-power equipment will reach 1.4 million kilowatts. Nuclear power equipment will be actively developed according to conditions.

In automobile industry, emphasis will be put on developing cars with spare parts as basis and improving product structure.

By 2000, an average annual growth rate of 11 percent in automobile production will be reached, hitting the output of 2.5 million per annum, of which car growth rate account for 20 percent, reaching 1.2 million in number. Shanghai, No.1 Auto Works and Dongfang each will reach a production capacity of 400,000 to 600,000 automobiles, of which cars will be 300,000 in number.

100 Billion Yuan Investment in Car Production Planned

HK2903054295 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 29 Mar 95 p 6

[By Dusty Clayton]

[FBIS Transcribed Text] Officials from China's Ministry of Machine Industry have ambitious plans to put the family car at the heart of an automotive modernisation project, but they are short on details about how they will raise the needed cash.

Li Wanli, deputy chief of the Automotive Industry Department's product planning division, said yesterday that the ministry hoped to invest over 100 billion yuan to boost China's annual car production to 2.5 million units by 2000.

Most of the money will be used to expand China's nascent family car industry, which accounts for less than 25 per cent of the country's annual output of 1.31 million units.

Emphasis will be placed on building four large factories in Shanghai, Tianjin, Changchun and in Hubei province, each with an annual output of 150,000 vehicles, to establish economies of scale.

Mr Li said the industry's development had been hampered by an excess of small companies. The country's 126 car manufacturers produce about 10,000 vehicles a year.

In addition to reorganising the car industry into a few group enterprises, the ministry would work to establish a large domestic parts industry as the core for a self-sufficient car industry.

Mr Li said the ministry would try to attract foreign investment, secure loans from state banks and raise internal funds. "We're still working on resolving this problem," he said.

Cheng Ruiquan, a member of the ministry's planning commission, would not say how much money the ministry needed for modernisation, but he said it was setting out on an ambitious 15-year plan to "revitalise" the machinery industry.

He said about one-third of the enterprises under the ministry's direction—mostly large-scale factories—were losing money.

Much of the machinery industry still relies on technology from the 1950s and 1960s.

Bonds Worth U.S.\$7.8 billion Sold in 25 Days

*OW2903063895 Beijing XINHUA in English 0544
GMT 29 Mar 95*

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Chinese residents nationwide had snapped up 65.736 billion yuan (about 7.8 billion U.S. dollars) worth of certificated treasury bonds in less than one month by March 25, today's "CHINA SECURITIES" newspaper reported.

Quoting statistics from the People's Bank of China, the central bank, the report said that the figure represents an 80.26 percent increase over the amount sold during the same period of last year.

China's bond issue this year started on March 1 and will end on July 31.

Already on sale are two types of bonds: Three-year certificated bonds, which carry an annual interest rate of 14 percent and are subsidized upon maturity, and three-year unregistered standard bonds, which enjoy a coupon rate of 14.5 percent but are not subsidized.

The standard bonds are allowed to be listed and traded on the secondary bonds market, while the certificated ones are not.

A third type of bond to be floated this year is paperless bonds, the size of which has not yet been decided.

The Ministry of Finance has set the total value of 1995's government bonds at some 150 billion yuan, compared with 102.8 billion yuan-worth last year.

Finance experts say that bonds can help the central government cover a budget deficit without increasing the cash supply and fueling inflation, which reached 21.7 percent in 1994.

Chain Stores Developing Rapidly Across Country

*OW2903060495 Beijing XINHUA in English 0232
GMT 29 Mar 95*

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—Chain stores have experienced a vigorous and widespread growth in China since they first appeared in some large cities four years ago.

The country has 150 chain store companies, managing over 2,000 chain stores, supermarkets and restaurants. The majority are state-owned, with a tiny number being run by private and foreign firms.

Nearly two thirds of the chain stores are located in Shanghai, China's largest industrial and commercial center. These stores make 1.4 billion yuan in sales volume annually, accounting for 1.9 percent of the city's total social retail volume of consumer goods, said Huang Hai, director of the Commerce and Economic Research Center under the Ministry of Internal Trade.

Japanese chain giant Yaohan and Hong Kong-based Park'n Shop also opened branches in Shanghai.

Chain stores in China fall into seven categories including supermarkets, convenient shops which have small space and offer longer service hours, snacks, name-brand special shops and maintenance shops.

As many of these chain stores were built on the basis of former department stores, grain shops and vegetable markets, there is a need to promote a sense of competition, train store assistants and introduce modern management from abroad, Huang said.

Such stores are popular among common people as they provide cheap and high quality daily necessities.

However, Huang noted, such problems as low efficiency exist in chain store service as it is still in its early stage of development.

China Eastern Airlines To Purchase Planes

*HK2803124695 Beijing ZHONGGUO XINWEN SHE
in English 1153 GMT 24 Mar 95*

[FBIS Transcribed Text] Shanghai, March 24 (CNS)—China Eastern Airlines will buy two 260-seat A300-600 airbuses and they will go into service on both domestic and overseas air routes in the first half of this year.

According to sources, the two airbuses will serve the following routes: Shanghai-Singapore, Shanghai-Qingdao, Shanghai-Jinan, Shanghai-Xian, Shanghai-Harbin, as well as Qingdao-Beijing and Guangzhou-Qingdao.

According to a draft timetable for this summer and autumn, China Eastern Airlines will increase its international flights. The Shanghai-Los Angeles line will increase from two to three times a week, the Shanghai-Seattle-Chicago line from one flight to two flights a week,

and that for the Shanghai-Beijing-Brussels-Madrid line from once a week to twice a week.

Some new domestic routes will also be opened including the Shanghai-Yanji of Jilin line and the Shanghai-Beijing-Guangzhou line. In addition, there will also be increased flights on the Shanghai-Ningbo, Shanghai-Wenzhou, Shanghai-Jinan, Shanghai-Yantai lines, and so on.

Air China Flight Crew Becomes Safety 'Model'

OW2803140495 Beijing XINHUA in English 1351
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—The General Flight Crew of Air China, which has managed to achieve a 40-year safety record, has been set up as a model for all civil aviation employees as well as for the general public.

A group of five representatives from the crew gave a report here today on their pioneering work in building the country's civil aviation industry and their experience of maintaining flight safety. An audience of over 1,200 listened to their reports.

This activity was jointly organized by the Propaganda Department of the Central Committee of the Communist Party of China (CPC) and the Civil Aviation Administration of China (CAAC) to get all civil aviation employees and people of other professions to reinforce their sense of responsibility and enthusiasm for work.

The General Flight Crew was set up in 1955. Since then it has opened 70 international and regional air routes and 60 domestic air routes, and flown over 4,000 special flights for CPC and state leaders. Its 40-year record of flight safety has made Air China one of the world's safest airlines.

At the beginning of this year, CAAC conferred the honor of "National Flight Safety Model" on the crew, and the International Civil Aviation Organization (ICAO) also conferred on it the "ICAO Honorary Medal". Recently Chinese leaders Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan and Zhu Rongji have all sent messages of encouragement to the crew.

According to the reports from the five representatives, when the crew was first founded, there were only a few old and small planes and 37 pilots in China. In 1956 the crew overcame various difficulties and successfully opened the air route to Lhasa on the Tibetan Plateau; in June 1965 the crew flew an Il-18 plane as the special plane to take the late Premier Zhou Enlai and the late Vice-Premier Chen Yi to visit African countries. After 14 days of flying 44,361 km, the crew successfully paved the way for China's civil aviation to fly to other parts of the world.

At present the crew has 37 modern Boeing planes, flying 39 international air routes and 31 domestic routes, as well as special flights for CPC and state leaders. It has

some 900 pilots, of whom 291 are special-class pilots each with flying experience of over 13,000 hours. And 417 are first-class pilots who have flown over 10,000 hours.

***State Information Center Forecasts 1995 Economy**

95CE0316A Beijing JINGJI CANKAO BAO in Chinese
23 Feb 95 p 2

[Article by the State Information Center: "China's National Economic Growth Prospects"]

[FBIS Translated Text] [Begin Editor's note:] The State Information Center's [SIC] joint information network forecast the operating-speed timetable for China's rapidly growing economy in 1995 the other day, projecting that within the general setting of reform and opening, China's national economy will continue to grow in a stable, sustained, and rapid way, with China's economic standing in the world economic order continuing to improve steadily. Meanwhile, certain adverse factors in our economic operations are limiting our growth, which problems have aroused the attention of the Central Committee and the responsible departments. But as our socialist market economy is improved daily and all policies take effect, it is believed that these problems will be effectively solved. So it can be predicted that China's high-speed economic train will travel along its tracks in 1995 safely and rapidly, speeding toward its set objective. We are today publishing the full text of an article provided to JINGJI CANKAO BAO by the SIC entitled "China's National Economic Growth Prospects," dedicated to all of our readers who are concerned about their country's economic development. [end editor's note]

I. China's Overall Economic Climate in 1995

China's 1994 economic-reform successes have accelerated development of a socialist market economy, creating a fine system climate for 1995 macroeconomic operations, while setting forth a new mission of continued advancement and improvement of all reforms. It is predicted that we will continue reforms in 1995 in areas such as foreign trade, investment, pricing, and circulation, speeding up the formation and development of our new system of macroeconomic regulation and control, to reinforce the state's capacity to control macroeconomic operations.

Priority construction projects are being completed and put into operation one after another, sharply raising power, raw materials, and rail freight prices to intensify the self-development capacity of such "bottleneck" industries.

In 1995, China's gross foreign trade turnover is expected to reach about \$280 billion, with China passing Spain to become one of the world's 10 largest trading nations.

In 1995, while our GDP growth rate will recede somewhat in contrast to the preceding two years, it will

remain quite high. In addition, in light of the steady rise in China's international standing in recent years, it is predicted that direct foreign investment in China will continue to grow to a certain extent, to make China one of the world's investment hotspots.

With the faster economic recovery in Western nations and the continued strong growth momentum of the East and South Asian economies, international trade growth will be markedly high. In addition, the steady improvement in the international competitiveness of Chinese goods will help China to steadily break into the international market.

But China's economic growth in 1995 will also face many special difficulties, which can be seen most conspicuously in the following areas: 1) Inflationary pressure will continue to exist. Factors such as the quite sharp lagging impact on 1995 prices of quite high price rises in 1994, too much fixed assets investment in investment scale, and the lack of effective restraint forces on excessive consumption fund growth are likely to create demand expansion, making it even harder to control inflation. 2) Job pressures will increase steadily, with employment difficulties growing ever more glaring in areas such as inland and remote border regions and county towns; on the three fronts of forest regions, mining areas, and war industry; and along railway lines. 3) State enterprise operating difficulties have become a glaring problem affecting reform and development. 4) The still weak agricultural base, obviously less ability to resist natural disasters, and tight supplies of staple farm and sideline products will restrict to a certain extent overall economic development and stable market formation in 1995. 5) The international formation of regional economic communities and the reappearance of trade protectionism will also restrict to a certain degree the expansion of Chinese exports.

II. A Forecast of China's Economic Growth in 1995

1. China's 1995 GDP is predicted to continue to grow at a rate of around 9 percent.

As China's macroeconomic regulation and control capacity grows, economic relations will become better ordered in the case of intensified reform. In 1995, China's GDP growth rate will remain at about 9 percent, higher than its real average for the 1980s. At 1990 constant prices, GDP is expected to reach 1.9698 trillion yuan, with growth of 3.5 percent in primary industry, 10.9 percent in secondary industry, and 9.7 percent in tertiary industry. Corrected for inflation, the 1995 GNP will be 3.97 times that of 1980, meeting the quadrupling goal five years ahead of time.

2. While 1995 fixed assets investment growth will recede sharply from 1994, it will remain quite high, with the investment structure tending to become more rational.

As 1995 is the last year of the Eighth Five-Year Plan, a number of new projects will be entering their last stages

of construction. To enable these projects to be put into operation and display their efficiency, latter-stage fund input must be ensured. Meanwhile, as some Ninth Five-Year Plan projects will also be going into their early-stage preparatory phase, that will be bound to add to 1995 investment demand. It is predicted that China's gross fixed assets investment in 1995 will reach about 1.85 trillion yuan, sustaining national economic growth at around 9 percent.

3. 1995 consumer market operations will be steady, with a consumption diversification trend evolving.

China's 1995 consumer market will be characterized as follows: A) Rapid production and foreign trade growth will ensure effective market supplies, with mainly large exports of light manufactured goods, and somewhat increased effective supplies of farm and sideline products. B) Urban individual incomes will continue to grow sharply, providing a stable consumer market base. C) Housing reform, the initial establishment of a welfare system, and further stock market growth will disperse some cash on hand. D) The state's continued strict control of group-consumption spending will curb to a certain extent domestic market demand growth. E) As China's household income has begun to diversify, this will be bound to diversify consumption. It is predicted that the 1995 consumption trend will grow stably, with retail consumer goods sales up 18 percent from 1994 to 1.8 trillion yuan.

4. While 1995 price rises will be somewhat lower, they will remain at a quite high level.

A) The application and promotion of reform in areas such as housing, health care, education, finance, and investment will disperse some purchasing power, raising individual savings to lighten consumer market demand pressure. B) The consumer mindset will mature, so that we will not see panic buying due to psychological tension. C) Staple manufactured consumer goods production capacity is still far from having been brought into full play, with inventories quite abundant, so fully capable of meeting further demand growth. D) Substantial national foreign exchange reserves will enable us to meet domestic market demand for certain commodities in short supply through exports.

Inflation in 1995 is predicted to be 7-8 percent. But as farm product and basic manufactured goods prices are too low, and it is going to be hard in the short term to resolve certain other matters such as price distortion and relations disorder, the price trend of rising prices dominated mostly by basic industrial products will continue in 1995, with roughly 40 percent of quite large capital construction funds ultimately finding their way into consumption, thus stimulating consumer price rises. And international market price rises will also have a pulling impact on domestic market prices. So the 1995 price index is likely to remain at around 12 percent.

5. While China's revenues will grow obviously in 1995, the fiscal shortage will be hard to improve sharply.

In 1995, China's domestic revenues (not including debt income) will be 546 billion yuan, with fiscal spending (not including debt interest and amortization) at 637 billion yuan, for a deficit of 91 billion yuan, with a domestic bond issue of 144.2 billion yuan, and domestic debt interest and amortization of 82.7 billion yuan. This shows that it will remain hard to balance China's revenues in 1995, with the deficit continuing to grow.

6. The overall financial state in 1995 will be one of stable growth, with all financial indexes better than in 1994.

The central bank's 1995 priority is to curb inflation, strictly controlling overall credit, particularly fixed assets investment, and effectively utilizing working capital loans. We will continue to inventory and rectify the financial order, strictly preventing a resurgence of "the three arbitraries," while tightening cash and wage fund oversight, to curb excessive consumption fund growth. financial situation will be somewhat better than in 1994. It is predicted that cash put into circulation in 1995 will be 160 billion yuan, up 19.5 billion yuan from 1994, with a credit growth rate at 19 percent.

7. In 1995, foreign trade will grow rapidly, further improving the balance of international payments, with foreign exchange reserves continuing to grow sharply.

It is predicted that China's imports and exports in 1995 will grow at respectively 20 percent and 18 percent, with import and export turnover of respectively \$141.7 billion and \$135.7 billion, for a foreign trade deficit of about \$6 billion.

8. China's jobs pressures will grow steadily in 1995, with ever more glaring employment difficulties and conflicts.

A model calculation shows that with the ever-growing pressures of the large numbers of surplus enterprise personnel and the rural surplus workforce transition, China's urban labor demand in 1995 will be 167 million, with a labor supply of 172.04 million, making supply greater than demand by 5.04 million, for an urban unemployment rate of 2.9 percent.

China's rural areas now have around 50-60 million surplus workers in a mobile state, including somewhat more than 20 million throughout China in a state of transregional mobility, which figure is predicted to reach 25 million in 1995. With ever-growing numbers of peasants breaking out of the urban-rural limits to enter cities, how to keep the present yearly and quarterly "peasant-labor tide" orderly will be a major problem facing China's employment work in 1995.

As markets develop, the competitive employment and efficiency orientation will further exacerbate employment difficulties and conflicts in forestry and mining areas, confronting special groups such as women and the disabled with certain new employment difficulties. Meanwhile, job mobility and structural unemployment will become the major conflict.

III. Certain Policy Directions for Keeping the National Economy Growing Soundly

1. We need to tighten and improve macroeconomic regulation and control. Curbing inflation to maintain basic price stability is a prerequisite for proceeding smoothly with reform and maintaining the sustained, rapid, and healthy growth of the national economy, as well as a key link in dealing properly with the relations among reform, growth, and stability. A) We need to continue to do a good job of the food basket project and grain and cotton base building, ensuring supplies of daily necessities, increasing peasant purchasing power, and striving to lower a too high cost of living index. B) We need to continue to proceed with circulation-system reform, rectifying economic order in the field of circulation, reducing the excessive and too frequent middleman exploitation, and gradually evolving orderly market operating forces. C) We need to improve market monitoring and forecasting, pay close attention to market trends and dynamics, and strive to achieve a combination of regulation and deregulation, in which deregulation does not lead to chaos and control does not stifle. D) As long as a social security system is still incomplete, we need to set up a system of minimum poverty subsidies, to meet the minimum livelihood needs of low-income families, unemployed workers, and employees who cannot work full-time, to preserve social stability.

2. We need to continue to reinforce the agricultural base, improve national leadership of agricultural and rural work, and pursue a policy that is suitably slanted toward agriculture. A) We need to invest more in agricultural diversification, adjust the price relations between industrial goods and agricultural products, and particularly invest more in central and western China and in upgrading medium and low-yield farm fields. B) While steadily developing marketable farm products, we need to organize and guide peasants to develop high-yield, quality, and efficient agriculture, and rural-product manufacturing, shipping, and sale industries. We need to suitably disseminate an economy of scale, gradually improve and complete the rural market system, and guide rural nonfarm development to more concentrated and tracked development.

3. We need to further improve the employment system, to achieve market employment guided by state policy. We need to establish and pursue a strategy of faster development of small cities and towns, dispersing surplus rural labor to existing and newly-built small cities and towns. On one hand, this will raise the national industrialization and urbanization level, while not putting too heavy of a livelihood and employment burden on large cities on the other.

4. We need to speed up establishment and perfection of a social security system. A) To meet labor needs for rational mobility among enterprises of varying ownership form, industry, sector, and region, we need to set up an

integrated social security system. B) As to the pension-insurance fund-raising model, while continuing to practice public fund raising of pension funds, we need to introduce individual premium-payment and savings forces. C) As to health insurance reform, we need to exercise employee major-medical health care restraint and oversight forces and gradually establish a social security system combining overall public health funds with individual health care accounts. D) As to unemployment insurance, we need to better use and manage unemployment insurance funds, broaden unemployment insurance fundraising channels, and do a good job of production self-help and job training for the unemployed. While establishing and intensifying an unemployment insurance system, we need to pursue state-guided "mandatory employment."

***CASS Researcher Views Debate on Property Rights**

95CE0317A Beijing LIAOWANG [OUTLOOK] in Chinese No 1, 2 Jan 95 pp 26-27

[Article by Huang Sujian (7806 6643 1696), Chinese Academy of Social Sciences researcher: "Several Issues Under Debate in the Designation of State Enterprise Property Rights"]

[FBIS Translated Text] [Begin editor's note] The pilot program in modern enterprise reform set up by the state for 100 large state enterprises is now fully underway. The first crucial issue encountered has been a series of matters such as the designation, liquidity, management, hedging, and appreciation of state enterprise property rights, about which there are differing views in economic theory circles that are in urgent need of explanation and interpretation to dispel doubts and reach consensus. LIAOWANG has specially invited CASS Comrade Huang Sujian, who is well-versed in property rights matters, to write a series of articles systematically answering the questions of widespread concern involved in property rights reform. The one we are first publishing in this issue is entitled "On Understanding Several Issues Under Debate in the Designation of State Enterprise Property Rights." [end editor's note]

A genuine market economy ought to be an economy of rule by law, with exceptional attention paid to defining within legal norms the relations between rights and duties. As to enterprise operations in particular, this means first clarifying the ownership of the assets that such operations depend on. As this is a prerequisite for legal operations, the designation of property rights should be seen as the primary issue for property rights reform and even for overall enterprise reform.

The designation of property rights involves a series of complex issues. The more prevalent doubts in China's immediate economic activities are mainly over issues such as "enterprise ownership," "state asset graded ownership," and "the assets jurisdiction formed by preferential policies."

As to these matters, the city of Shenzhen, where ways to designate state enterprise property rights were first explored, notes that: "The assets formed through state investment and lending are in the category of state ownership; assets formed through state enterprise operation with loans from banks and other nonbank financial institutions are state-owned; assets formed through loans mutually secured by state enterprises are state-owned; assets formed through state enterprise prestige and policy need to be designated according to the principles of fairness and rationality, to be shared by the state and enterprises. As to collective, private, and individual enterprises whose registration is dependent on the state, the clarification of property rights relations should be standardized in accordance with corporate law. In this type of state enterprise, all assets without legal grounds proving that they are owned by collectives, individuals, or foreign-investment parties are Chinese assets."

Some places have noted the need to distinguish differing circumstances when designating enterprise property rights, to clarify state asset property rights. "1) Property rights should be designated as belonging to whoever was the original investor in the state enterprise. 2) Assets formed through complete dependence on loans to build new state enterprises should not all be designated as state assets. As such loans and their interest are paid by the enterprises, enjoying the state policy of pretax repayment of loans with taxes, most such enterprise assets should be designated state assets, with some designated as enterprise assets, and the ratios set according to varying enterprise situations. 3) In the course of upgrading collective enterprises, all assets formed through state tax reductions and exemptions should be designated as state assets."

But many other enterprises, local governments, and comrades in academic circles hold that all assets formed through retained profits since the second stage of enterprise "conversion from profits to taxes," as well as all assets formed after loan repayments since the "conversion from appropriations to loans," should be designated as enterprise-owned assets, not state-owned.

While the opinions and views vary, the debates can be generally summed up as being focused mainly in the following three areas:

Debate 1: Some have posed the question: When some enterprises were founded, as the government did not put up even a penny, with all of the funding being accumulated by the enterprises through loans and their own efforts, who should be designated as the owner of the assets formed after enterprises have paid their taxes?

There are two possible responses to this question: Such assets could be designated as either state-owned or enterprise- and enterprise-employee-owned. But I hold that the first response is the only proper one. Why do I say this?

In fact, there is not a single enterprise in the world whose assets are enterprise-owned. All who understand even a little elementary accounting principles know that the fundamental formula for balancing the enterprise balance sheet is that enterprise assets equal liabilities plus shareholder rights and interests. In other words, enterprise assets are either creditor rights and interests (debt assets) or capital-contributor equity (net assets). As to enterprises in which the state made the original investment, according to the general market economy principle of "the investor is the owner and the beneficiary," as the assets formed through enterprise profit retention or loan repayment either before or after the "conversion from appropriations to loans" are the result of enterprise operations in which the capital-contributor (state) equity is the most essential material grounds, they should all be designated as state-owned. Pretax loan payments correspond to state investment of receivable taxes and profits, being merely an elimination of the process of enterprises first turning over these taxes and profits to the state, and the state then investing the funds in enterprises; aftertax loan repayments correspond to state investment of receivable profits, for profit capitalization. All enterprises of any ownership form use greater or lesser amounts of loans and debts in their normal production-operating process, with the source of the funds that enterprises use to repay loans being either new loans or direct or indirect use of capital-contributor equity, which in the final analysis remains the use of capital-contributor equity to repay loans. So why is it that with regard to enterprises of other types, it cannot be held that the assets formed after enterprise debt payment should not be designated as belonging to the original owner, while this becomes a problem with state enterprises?

The focus of this debate is centered on the jurisdiction of the capital property rights of state enterprises founded since the "conversion from appropriations to loans." It is generally held more prevalently that as the state has not invested even a penny in state enterprises founded since the "conversion from appropriations to loans," merely standing security, the enterprise assets formed after loan repayment ought not to belong to the state. But the crucial issue here is that none of the so-called "enterprise loans" and "government security" since the "conversion from appropriations to loans" have in fact been enterprise loans and security in the true sense of the terms, rather essentially being a kind of direct government investment in a distorted form. Proceeding from the original intention of spurring enterprises to use their state assets more responsibly, as the government contributes capital directly to enterprises in the form of enterprise loans, and then the state repays the loans with receivable taxes or profits, the property rights of such assets quite clearly ought to be designated as state-owned.

Debate 2: With regard to enterprise-state assets formed through local government investment, or state-enterprise assets devolved by the center to localities, some comrades hold that they should belong to local governments. But

other comrades note that as enterprise-state assets are subject to central property rights ownership and local graded supervision and control, they are inoperable. For instance, in the process of transferring property rights, if there is state property rights ownership, how would not each transfer have to be examined and approved by the central government?

We need to note first that as our state enterprises are in fact an expression of government ownership, governments at all levels exercise the pertinent ownership powers and functions over state enterprises in their respective jurisdictions, such as earnings rights and asset-disposition rights, with state enterprises being formed through investment by governments at all levels. In a product economy, with centralized revenue and expenditure, in which local governments certainly did not become interested players, it was not necessary to designate the property rights of governments at all levels. But in a market economy, as governments at all levels have become relatively independent interested players, state enterprises, when designating property rights, cannot avoid the issue of designating the property rights of the central government and of local governments at all levels.

In fact, such property rights designation is already involuntarily underway, with immediate operations actually occurring along graded ownership lines. For instance, central enterprise usufruct is under central government jurisdiction, with local enterprise usufruct under local government jurisdiction; certain enterprises with joint central- and local-government investment are being reorganized in a form similar to limited liability companies; the earnings of enterprises with central government investment, after property rights are sold, belong to the central government, with the earnings of enterprises with local government investment, after property rights are sold, belonging to local governments.

A clear division of state-enterprise central- and local-government property rights is valuable, helping to clarify the financial liability of governments at all levels toward enterprise-state assets, and thus helping governments at all levels to act in their own economic interests by emphasizing the protection and higher efficiency of state assets. It helps to break down central-local and local-local investment divisions, enabling funds to be freely organized and turned over premised on ensuring the rational economic interests of all parties. And it helps to arouse both central and local initiative, as well as enhancing the central government's macroeconomic regulation and control ability. While the central government originally invested heavily in state enterprises, local governments have also invested heavily in recent years in setting up state enterprises, which clarifies that central property rights usufruct ought to belong to the central government to increase central revenues, as well as clarifying that the local-government rights and interests to local government property can be determined from a property rights perspective.

Some are concerned that clearly dividing up central- and local-government property rights, from a long-range perspective, might weaken the state's centralization and unity functions. But I hold that a country's unity certainly does not depend on ownership or property rights. In public enterprises in certain Western nations, the division between central- and local-government property rights is very clear, with most of the enterprises in such nations being private ones, which certainly does not impact national unity. On the other hand, certain formerly socialist countries have certainly not clearly divided up central- and local-government property rights, with state enterprises being in the vast majority, which countries have still broken up.

But I also hold that while the graded ownership of state property rights contributes to the management of state property, in actual operation we need to first provide in words that this means "centralized state ownership, with localities as graded agents, and enterprises having operating autonomy." We might base this on administrative subordinate relations, with the state practicing graded commissioning of enterprise state-assets by category to governments in all areas, so that local governments can act in their capacity as the owners of state property to practice graded agency oversight and management of state assets.

Debate 3: Might not all government preferential policies, tax reductions and exemptions, services, loan guaranties, and bank loans or government-sector borrowing serve as government investment or share-investment in collective enterprises?

Some hold that all asset property rights formed through state tax reductions or exemptions to enterprises should be state-owned, to be treated as state investment or share-investment in enterprises. But in fact, this is also a misunderstanding. Except where government agrees with enterprises in advance, the assets formed through government tax reductions or exemptions to enterprises should be a case of whoever was the enterprise's original owner is the owner of these asset property rights. While the asset property rights formed through state tax reductions and exemptions to state enterprises should of course belong to the state, assets formed through state tax reductions and exemptions to collective and other types of enterprises should belong to the original capital contributors to these enterprises, not to the state. As to "state enterprises" that carry a state-enterprise registration but are actually collective or private enterprises, the property rights to assets formed through tax reductions and exemptions should also not belong to the state; and the property rights to assets formed through tax reductions and exemptions to shareholding enterprises should belong to all shareholders based on their percentages of capital contributed to the enterprises. The grounds for this are: State tax reductions and exemptions to enterprises are in the category of macroeconomic regulation and control action, not equivalent to investment behavior; as state tax reductions and exemptions to the

three kinds of foreign trade enterprises are certainly not treated as state share-investment, it is not necessary for those to other types of enterprises to be treated as such either; the government also cannot without the consent of the other shareholders unilaterally engage in share-investment or share-expansion with enterprises.

We hold that preferential policies cannot be the grounds for government demanding property rights in collective enterprises. This is because government preferential policies to collective enterprises, including tax reductions and exemptions, are particular steps taken by government to encourage collective enterprise development, or a sort of industrial policy reflecting government encouragement of a certain industry's development. All government preferential policies are government macro-economic regulation and control actions, not government investment behavior. As the state practices a preferential policy of "three-year exemption and two-year reduction" of income taxes for foreign-invested enterprises (FIEs) and wholly foreign-owned enterprises, if the state was allowed to use preferential policies as the grounds for demanding property rights from enterprises, how would that not turn all FIEs into joint ventures with Chinese Government shareholding?

Some hold that related services provided to collective enterprises by government (such as official seals) should also be regarded as government share-investment in enterprises. But this is even more improper. As to citizen and enterprise services, the management of public affairs is a proper government duty, as citizens and enterprises pay taxes to the government precisely to ensure that the government performs this duty. So if government-provided services are said to be the grounds for government share-investment, how could all economic units that receive government services not become state-owned?

***Commentator Views New National Labor Law**

95CE0290A Beijing GONGREN RIBAO 9, 13, 23, 27 Jan 95 p 1

[Commentary in four installments by GONGREN RIBAO commentator: "Labor Law Implementation Marks Milestone"]

[FBIS Translated Text] [9 Jan p 1]

The "Labor Law of the People's Republic of China" formally went into effect on 1 January. It was a joyous occasion long anticipated by hundreds of millions of Chinese workers. It also marked a milestone in labor law construction in China. It has enormous practical significance and profound historical implications for spurring reform and the open policy, improving labor relations, promoting economic development, and preserving social stability.

The work of the party and nation require that a labor law be promulgated and implemented. China is a socialist

country; its people are the masters of the nation. Rank-and-file workers are the locomotive of reform and development, the cornerstones of stability, and the builders of the two civilizations. Only by protecting their legitimate rights and interests in accordance with the law, fully mobilizing their enthusiasm for work, and establishing stable and balanced labor relations can we move forward in reform, further the open policy, promote economic development, and ensure social stability. In this sense, we can say the promulgation and implementation of the labor law will help determine whether reform succeeds or fails and whether the country will rise or fall. It will also help make the Chinese nation prosperous and powerful.

The promulgation and implementation of the labor law has filled a void in legal construction in China. Under the traditional planned economy, labor relations were characterized by the rule of man, enterprises had no decision-making authority in hiring and employment, and workers lacked the power to choose jobs. As a result, we seldom thought in terms of the legal aspect of labor relations, on the one hand, and labor legislation failed to keep up and was low in standard, on the other. Despite provisions in both the Chinese constitution and related laws protecting the legitimate rights and interests of workers, there was nothing as comprehensive, detailed, and focused as the labor law. This piece of legislation comprehensively lays down basic worker basic rights and obligations, sets labor standards and norms of conduct that hiring units must comply with, and spells out corresponding legal responsibilities and supervisory and inspection functions, thus replacing the rule of man with the rule of law in labor relations. This is historical progress.

The promulgation and implementation of the labor law is inherent in the development of a socialist market economy. As the variety of economies grow by leaps and bounds in the new era, as multiple methods of distribution coexist, as numerous ways of doing business evolve, and as manpower enters the market as an element of production, labor relations become more and more diverse and complex, something that increasingly plays out on the market. Legitimate worker rights and interests are often violated. The number of labor disputes is on the rise, and this affects economic development and the deepening of reform. It was against this new backdrop that the labor law was promulgated and went into effect, a response to evolving social trends and shifting labor relations. Hence it is in tune with the times. The implementation of the labor law provides the deepening of enterprise reform with some rules of the game and establishes a statutory climate for the creation of a modern enterprise system. It gives the drive to protect legitimate worker rights and interests a legal basis. It is a legal weapon to be used in helping trade unions fulfill their four responsibilities. It sets the standard for harmonizing labor relations. It establishes a legal framework for the labor system under a socialist market economy.

The labor law must be implemented steadfastly and unwaveringly. The integrity of the law must be protected in earnest. Provisions in the labor law are the law; they are not something that one can choose to obey or not. We must operate in strict accordance with it. Every enterprise must closely examine its existing rules and regulations. Those found to be incompatible with the labor law must be quickly amended; there can be no compromise. Needless to say, since laws and regulations are not all consistent with one another, and objective conditions differ, it is impossible to require all enterprises to march in lock step and reach the same standard at the same time in the course of implementing the labor law. For some enterprises, a gradual phase-in process is still necessary. Accordingly, we must adhere to the dialectical method by insisting that the law be enforced strictly while being pragmatic and realistic at the same time. Where the standards cannot be met for the time being, both the enterprise in question and its workers should work hard together to create the conditions that will help them achieve the goal in the course of time. Never, however, should this be used as an excuse to be sloppy in putting the law into effect. On this issue we must stick to principles, our attitude must be positive, and we must move cautiously while doing a solid job.

Implementing the labor law requires a collective effort in which the enthusiasm of all quarters is harnessed. As a piece of legislation that seeks to harmonize labor relations, the labor law covers all hiring units and has an impact on the vital interests of hundreds of millions of workers. Its implementation is a matter of paramount importance that affects just about everything. It will not work merely to rely on a single department. For this reason, leaders at all levels in party and government organs that deal with labor matters and judicial affairs should work together even as they practice division of labor, joining forces to pull this feat off. They must create a climate throughout society where people study the law, understand and apply it, and where they have a deep awareness of the labor legal system. At the same time, we must step up our supervision and inspection of the way the labor law is being enforced and nurture a corps of honest and incorruptible labor law enforcers. This is the only way to ensure the integrity of the law.

Implementing the labor law is a basic task for trade unions. The legislative intent behind the law is precisely to protect legitimate worker rights and interests, which is totally consistent with the basic mission of trade unions. The process of implementing the labor law is also one in which trade unions may work to remake their image among the rank-and-file workers. For this reason, trade unions at all levels should grasp the opportunity to move forward when the situation is favorable but also beat a retreat in the face of difficulties. They should have the courage to blaze a new trail, using the implementation of the labor law as the window of opportunity to advance on every front. They should do a good job in reforming themselves, improving their own quality, and amplifying their responsibility for protecting legitimate worker

rights and interests. Moreover, they should acquire a mass character and democratize themselves in the process of representing the workers, participating in labor relations, and protecting legitimate worker rights and interests in accordance with the law.

To implement the labor law, it is imperative that the ordinary worker use the law as a weapon on his own initiative. He must study and master the substance and essence of the labor law in earnest, treasure the various rights granted to him therein, actively fulfill the obligations required of him under the law, work side by side with enterprises to create good and stable labor relations, and contribute to economic development and social progress.

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What is the underlying essence of the labor law? In a word, protecting legitimate worker rights and interests. The labor law is considered a milestone in labor legislation in China precisely because it is the first basic law in the nation that protects legitimate worker rights and interests.

In its essence the labor law is a basic law protecting legitimate worker rights and interests. Labor legislation originated in capitalist societies, the fruit of a prolonged and unrelenting struggle by the working class for legitimate rights and interests and the product of an ever-growing labor movement. In the course of fine-tuning labor legislation continuously, legitimate worker rights and interests also became better and better protected. China is a socialist nation where the proletariat is the master. Protecting legitimate worker rights and interests is inherent in the nature of a socialist nation. The promulgation and implementation of the labor law is nothing more than a legal action on the part of the state to better protect legitimate worker rights and interests.

In terms of its legislative intent, the labor law is a basic law protecting legitimate worker rights and interests, a detailed expression of the provisions in the constitution pertaining to worker rights and interests. Article 1 of the "Labor Law of the People's Republic of China" comes right out by declaring, "This law has been formulated in accordance with the constitution to protect legitimate worker rights and interests, adjust labor relations, establish and preserve a labor system compatible with a socialist market economy, and promote economic development and social progress." It is no absolutely clear from this article that the principle objective of the formulation of the labor law is to protect legitimate worker rights and interests.

In terms of its content, the labor law is a basic law protecting legitimate worker rights and interests. The labor law purports to adjust labor relations by laying down the rights and obligations of both workers and hiring units. It explicitly stipulates that hiring units formulate and perfect rules and regulations in accordance with the labor law to protect the right and obligation of workers to work. In drawing up a labor contract,

a hiring unit must strictly comply with all the standards set by the state to protect the right of workers to work. It is precisely these standards which form the basis of protecting legitimate worker rights and interests. Under the labor law, workers are entitled to equal employment, leave and vacation, occupational safety and health, and other entitlements established by law. They have the right to choose jobs, to be compensated for their labor, to receive job and skills training, to receive social insurance and welfare, and to ask for resolution of labor disputes. It is clear from the above that the labor law provides a powerful legal guarantee that workers will enjoy their legitimate rights and interests.

In terms of legal responsibility, the labor law is a basic law protecting legitimate worker rights and interests. Under the labor law, if the rules and regulations adopted by a hiring unit violate the law, it will be issued a warning and ordered to make correction by the labor department in charge. It will also be held responsible for compensating workers for any damages. When a hiring unit violates a worker's legitimate rights and interests, it will be given disciplinary sanctions or required to pay economic damages. In most serious cases, the enterprise personnel responsible will be investigated and held criminally liable. Provisions dealing with legal responsibility put teeth into the labor law.

Protecting legitimate worker rights and interests is a hallmark of the labor law. It also is what will fundamentally ensure its longevity. Any attitude that rejects the labor law's protection function or harbors skepticism about it is wrong. Of course, our emphasis on the protective function of the law is based on a balance between rights and obligations. To enjoy labor rights, workers must fulfill labor obligations. There can be no such thing as simply enjoying rights and not fulfilling obligations. The kind of teaching that preaches the protection of legitimate worker rights and interests while overlooking the need to have workers fulfill their obligations betrays a misunderstanding of the labor law's protective function.

To realize the labor law's protective function, we must begin by requiring hiring units to strictly comply with the state's labor standards. Only when hiring units operate in strict accordance with the law can the labor law's protective function be respected and realized.

Second, it will take strict law enforcement and rigorous supervision to ensure that the protective function is carried out. Strict law enforcement is the cornerstone of the protective function; strong supervision is its guarantee. Essential to both are developing a high-caliber labor law enforcement corps and creating an effective supervisory mechanism.

Third, it will also take a work force that is courageous enough and adept enough to use the law as a weapon to protect its own legitimate rights and interests to ensure realization of the labor law's protective function. And a prerequisite for using the law is understanding it. The

day the labor law is truly implemented is also the day when hundreds of millions of workers have a deeply ingrained sense of labor legislation and on their own initiative exercise the rights and fulfill the obligations granted to or required of them under the law.

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The labor law is a basic law protecting the legitimate rights and interests of countless workers. Its legislative intent is entirely consistent with the fundamental responsibilities of trade unions. It spells out in no uncertain terms the role and rights of trade unions in adjusting labor relations and protecting legitimate worker rights and interests in the course of developing a socialist market economy, as well as the channels and methods they can use. In so doing, the labor law clearly answers a number of questions which have confused us for years. It follows that implementing the labor law gives trade unions a window of opportunity to reform and build themselves up.

Implementing the labor law will make even clearer the role of trade unions in deepening enterprise reform and establishing a modern enterprise system. The labor law states explicitly that, "trade unions represent and protect legitimate worker rights and interests and will carry out their activities independently with initiative in their own hands." It also says that "trade unions will sign collective contracts with enterprises as representatives of the workers." Thus the role and identity of trade unions as representatives of workers are written into law, and their status as a key player in three-sided labor conduct is firmly established. Objectively, therefore, trade unions are required to fully exercise their subjective initiative and independence under party leadership. They should develop the courage to get things done and to assume responsibility for their actions. Party leadership goes hand in hand with trade unions working independently and taking the initiative in their own hands. Ever since their birth, China's trade unions have served as a bridge linking the party with the people. Accepting party leadership conscientiously, however, is not the same thing as simply toeing the party line. Faced with a host of new circumstances and new problems in the market economy, trade unions will hardly be able to develop and may even run the risk of divorcing themselves from the masses, which will threaten their very survival, if they take leave of their independence and initiative, if they cease to be innovative, and if they fail to balance their accountability to the authorities above with their responsibility to the masses. Accordingly, trade unions at all levels should carry out to the full every responsibility entrusted to them under the labor law, operate with initiative and restraint, exercise their rights and fulfill their obligations, strive for both practical results and innovation, and elevate their work to a new standard.

Implementing the labor law will put the trade-union work of protecting legitimate worker rights and interests on a legal track. Protecting legitimate worker rights and

interests lies at the very heart of the labor law. It is the vocation of trade unions to protect legitimate worker rights and interests in accordance with the law. It is also the principal means with which trade unions serve the core mission of the party. It is the objective demand of workers to strengthen trade union protective functions. At a time when labor relations are becoming more complex and diverse by the day, with labor disputes multiplying endlessly, the party and the state need stable and harmonious labor relations to create a favorable social climate for reform, development, and stability. Vast numbers of workers, not only laborers but state enterprise employees as well, yearn for their own organizations to protect their rights and interests. Trade unions at all levels, therefore, should diligently grasp the rare opportunity—the implementation of the labor law—to protect worker rights and interests and harmonize labor relations in accordance with the law so that trade-union work will make progress of a breakthrough nature. Even as they protect the general interests of the nation's population, trade unions must do an even better job articulating and protecting practical worker practical interests. The series of standards set by the labor law and other regulations on occupational safety and health form the legal basis on which trade unions protect legitimate worker rights and interests. By preserving and mobilizing worker initiative, trade unions should do a better job serving the entire party and the whole nation, creating a new image for themselves among the workers, and strengthening their centripetal pull.

Implementing the labor law will quicken democratization of trade unions and their acquisition of a mass character. The implementation of the labor law requires trade unions to emerge as the unequivocal representatives and champion of worker interests who are courageous enough to and adept at protecting them in accordance with the law. This will objectively prompt trade unions to reform their organizational system and shed their varying vestiges of official sponsorship and administrative bias, remnants of the traditional planned economy. The chairman of a grass-roots trade union is now a de facto appointee. In the future, he should be democratically and directly elected. Full-time trade union cadres are now appointed. In the future they should be openly recruited and hired. A leader's word now determines whether a trade union cadre will be promoted or demoted. This practice should be replaced by a system of democratic evaluation. Workers should be given a say so that trade-union cadres become bona fide spokesmen of the rank-and-file workers. The implementation of the labor law demands that trade-union leading bodies at all levels put the emphasis of their work on the grass roots level and step up their organizing efforts at that level, where the labor law is being implemented, by channeling more guidance and services there. This, too, will objectively prompt trade unions to reform existing mechanisms and put together a truly scientific and effective system that is flexible but unified, that goes from the bottom to the top while uniting the two, that

operates by the rules on the books, and that relies on members to run a trade union. Only thus can trade-union work adapt itself to the needs of adjusting labor relations in a market economy; only thus can trade unions put their cause in an invincible position.

Implementing the labor law clearly demands that trade unions further improve the quality of their cadres. Under the labor law, trade unions have crucial responsibilities in participating in democratic management and equal consultation, signing collective contracts, mediating labor disputes, and involving the masses in supervising enforcement of the law. Whether or not trade unions properly exercise the rights given them by the labor law and live up to the responsibilities as trade unions have an impact on the legitimate rights and interests of both workers and hiring units, on the stability of enterprise-worker relations, and on social stability and unity. This is a glorious mission and a heavy responsibility; only competent cadres can live up to it. Through their work in the past, trade unions have already nurtured a corps of cadres who understand the law, know their business, have developed close ties to the masses, and have earned a good deal of trust. The implementation of the labor law makes even more stringent demands on trade unions. So there is now a greater need to develop a group of high-caliber mediation and arbitration personnel to resolve labor disputes, representative personnel to engage in equal consultation and collective bargaining, agents to file lawsuits on behalf of employees, and supervisory personnel to monitor the implementation of the labor law. As a result, trade unions at all levels should earnestly step up the construction of leading groups, intensify cadre training, raise cadre quality, make cadre exchange a success, and boldly select and promote outstanding young and middle-aged cadres to be the link between this century and the next. These cadres should be given important assignments and heavy responsibilities and required to meet extraordinary standards. Through practice, we shall create a new stratum of trade union activists.

As far as trade unions are concerned, implementing the labor law is both a challenge and an opportunity, fraught with difficulties as well as hope. The vast number of trade union cadres must arm themselves with a strong sense of reform and innovation, a burning desire for self-development and moving forward ahead of others, and an acute sense of crisis. They must grasp the overall picture, emphasize what is most important, seize the opportunity and move ahead by taking advantage of the times, thus creating a brave new world in trade-union work by intensifying trade-union reform and construction.

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The labor law is a piece of legislation that seeks to protect legitimate worker rights and interests. Its provisions deal with the rights and obligations of the two parties in all organizations, institutions, and enterprises,

and in all economies; involve the reform of the labor system and the adjustment of labor relations; and touch upon the vital interests of millions upon millions of workers. This is a vital issue. By itself, the enthusiasm of the trade unions and labor departments falls far short of what is needed to turn the law into reality. Only when people's congresses and party and government labor leaders at all levels divide up work and assume responsibility for what they do, wrestle with the issue together, work jointly with one heart, and do a solid job will labor law-making in China advance to a new stage, and only then will we achieve the original intent behind the formulation of the labor law.

The implementation of the labor law requires people's congresses and governments at all levels to intensify law-making work by drawing up detailed rules and regulations for the labor law. The government departments involved should change their functions and scrutinize the implementation of the labor law more rigorously. Judicial organs must be strengthened. If there is a law on the books, it must be complied with. A law must be enforced strictly. If a law is broken, the person responsible must be investigated and held liable. The legislative intent behind the labor law is clear: Protect legitimate worker rights and interests, first and foremost. Will the workers be truly protected? We cannot rely on the labor law alone to achieve the legislative intent and genuinely protect the legitimate rights and interests of vast numbers of workers. What is also needed is a host of detailed related operating rules and regulations as a guarantee. Furthermore, whether or not the labor law will be implemented often depends to a large extent on the enforcers fully discharging their duties. The labor law entrusts to labor departments in all governments at all levels the responsibility of enforcing the law. To do a good job, labor departments at all levels must overhaul their functions. Instead of regulating too rigidly or excessively the hiring practices and personnel affairs of enterprises, as they did in the past, they must now make an earnest effort to properly supervise and inspect implementation of the labor law and arbitrate and mediate labor disputes, thus serving economic development and contributing to the creation of new labor relations under a socialist market economy.

Implementation of the labor law requires enterprise managers to cultivate a sense of legality and run their plants in accordance with the law. An enterprise is where workers congregate. It is also a place with the most labor disputes. The enterprise holds the key to the universal application of the labor law, and the manager plays a pivotal role. The worker is in a fairly weak position vis-a-vis the enterprise. In contrast, the attitude of the manager, that is, the legal-person representative of the enterprise, toward the labor law will to a large extent decide the depth of the enterprise's commitment to implementing it. If we are to replace the rule of man with the rule of law in labor relations, therefore, we must inevitably require enterprise managers to enhance their sense of legality so that they know the law and apply it.

They should use the labor law to bring order to labor relations, inspire worker enthusiasm, deepen enterprise reform, and increase profits. Judging from what has happened after the law went into effect, many managers are not as enthusiastic about the labor law as they should, and are still wedded to old ideas, old methods, and the old way of doing things and still used to themselves having the say on everything. This phenomenon should be stopped in earnest. Every manager should realize that the law is to be taken seriously. Writing labor relations into law is what the people want and is also in tune with the times. It is inevitable.

The implementation of the labor law requires an enterprise to realign all its rules and regulations with the legislation and operate in accordance with the law. A key indicator of whether the labor law is being put into effect is how well an enterprise uses this major piece of legislation to standardize its detailed rules. Rules and regulations are a major management tool available to the enterprise and as such are indispensable. However, the existing rules and regulations of many enterprises and institutions are a bunch of indigenous methods and practices, often one-way rules that specifically target employees. They are blatantly out of step with provisions in the labor law. It is imperative that current rules and regulations be reviewed and screened carefully and critically. All rules and regulations pertaining to worker interests should be revised to bring them into line with the labor law and embody its underlying spirit. Otherwise, if everybody sticks to his own way of doing things, will not the labor law become a mere scrap of paper?

Implementation of the labor law requires workers to summon the courage to take up the "imperial sword" for self-protection. The success with which the rank-and-file worker becomes a knowledgeable person familiar with the law and able to use it will help determine whether or not the labor law will be implemented. In the past, legitimate worker rights and interests were often violated, the workers being too afraid to put up a fight even though right was on their side. Instead they swallowed the humiliation and made concessions, fearing retaliation. Now the law is clear: any organization or individual has the right to report to the authorities or file charges against any conduct that violates labor legislation and rules. If a hiring unit forces a worker to undertake hazardous activities on the job in violation of the law and the consequences are serious, the individuals responsible must be held criminally liable. This is a right granted to us by the state. It is a sacred and inviolable right stipulated explicitly in the law. Therefore, when your legitimate rights and interests are again infringed upon, you should cast away your doubts and have the courage and be adept at using the legal weapon to protect yourself. The day the labor law is widely mastered and skillfully used by the vast number of workers is also the day when socialist labor relations become firmly established in China. We must work unrelentingly to hasten the arrival of such a day.

The labor law is the head of a body of labor legislation that meets the requirements of the socialist market economy. Its promulgation and implementation lays the foundation for the creation of such a body of legislation. Although the foundation is important, the edifice has not yet been erected, and we still have a long way to go. Workers are the backbone of economic development and social progress in China. Without their initiative, enthusiasm, and innovativeness, economic development and social progress will be impossible in this country. We should feel a sense of urgency, responsibility, and mission about protecting their legitimate rights and interests and establishing harmonious labor relations. Take every strong measure to ensure that the labor law is enforced all around in all industries, trades, sectors, enterprises, and institutions. Do not let hundreds of millions of workers down.

Finance & Banking

Council To Give Control of FOTIC to Sinochem

OW2803163295 Beijing XINHUA in English 1539
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—The China National Chemicals Import and Export Corporation (Sinochem) has been selected by the State Council to be the first Chinese foreign trade company for a pilot project in modern enterprise and reforming the country's foreign trade businesses.

Sources say that the State Council has approved the changing of the China Trust and Investment Corporation for Foreign Relations (FOTIC) from a company under the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) into a subsidiary of Sinochem.

Officials said that the primary purpose of the restructuring is to manage foreign government loans in accordance with the state industrial policy, improving both their quality and re-payment terms.

According to the officials, all government loans and assets and liabilities will be transferred from FOTIC to the Export-Import Bank (Eximbank) of China. The loans, totalling 12.7 billion US dollars, include ones from Japan, Germany, Finland, Australia, Denmark, Kuwait, and the North European Investment Bank, originally arranged by MOFTEC, and those arranged by FOTIC from Norway and the Netherlands.

As a financial institution operating under the State Council, China Eximbank will handle procedures required to restructure government loans and handle repayments of principal and interest.

Officials also said that as a further step in the consolidation process, the Sinochem Finance Co. Ltd., Sinochem's subsidiary, has been merged with FOTIC.

PBOC Circular on Disciplining Violators

OW2803095895 Beijing XINHUA Domestic Service in Chinese 0616 GMT 20 Mar 95

[FBIS Translated Text] Beijing, 20 Mar (XINHUA)—The General Office of the State Council recently transmitted a circular issued by the People's Bank of China [PBOC] on dealing with 10 financial institutions for violating the "rules to be observed by all concerned."

The PBOC circular points out: Over the past year or so, financial departments have conscientiously implemented the directives of the party Central Committee and the State Council on financial work, exercised strict control and supervision over financial institutions, continued to rectify financial order, and resolutely carried out the "rules that are supposed to be observed by all concerned. As a result, financial order has continued to take a turn for the better, and such phenomena as unscrupulously making call loans, raising funds and interest rates at will, and arbitrarily approving the establishment of financial institutions, have been basically checked. Through more than a year of rectification, large numbers of workers and staff members working in the country's financial departments have noticeably enhanced their law abiding sense; most financial institutions have observed financial laws and regulations and done a lot of work in maintaining a good financial order. This has not only consolidated the results achieved through macroeconomic regulation and control in the financial field, but also created favorable conditions for the deepening of financial reform and the smooth implementation of monetary policy. Last year, the issuing of currency and the granting of bank loans were controlled within the planned targets; various deposits in financial institutions increased by a big margin, with the amount of people's savings deposits setting a record; and reform of the banking and foreign exchange systems was carried out smoothly, achieving the desired results. This fully shows that the contingent of personnel on the financial front is good, and their sense of organization and discipline is rather strong.

The circular says: The national financial conference held in July 1993 clearly put forward the "rules to be observed by all concerned" (financial institutions must immediately and seriously sort out and recover all call loans granted in violation of regulations and must not raise loan interest rates without authorization or disguised as something else; banks must cease to put funds in economic entities set up by themselves and completely separate themselves from the latter). The conference pointed out that those who are discovered acting against the "rules to be observed by all concerned" after July 1993 must be investigated and dealt with one by one and that disciplinary measures should be taken against those persons principally responsible. Through examination and inspection, a small number of units were found to have violated the "rules to be observed by all concerned." They persisted in their old ways and continued to operate in violation of rules and regulations. The

People's Bank's Henan Provincial Financing Center granted call loans totaling 103 million yuan against regulations, and the center's manager recommended approval of three such loans totaling 70 million yuan. To avoid control over the credit scale, the Bank of Industry and Commerce's Dongguan City branch, after examination and approval by a person in charge of the branch, granted call loans totaling 57.05 million yuan in violation of regulations. Two call loans handled by a deputy general manager of the trust and investment company operated by the Bank of Industry and Commerce's Guangxi Region branch, totaled 16.8 million yuan, and were used to invest in and buy shares. The president of the Agriculture Bank's Yuxi Prefecture branch in Yunnan, during an office meeting chaired by him, decided to entrust the Yunnan Provincial Trust and Investment Company to offer loans of 16 million yuan, 1.876 million yuan of which were used for investment in fixed assets. In the name of setting up a labor service company, the Bank of China's Fucheng branch in Sichuan granted 18 call loans to the company, totaling 18,171,600 yuan; and the loans were not recorded in its account books. The president of the Construction Bank's Shanxi Province branch, without collective discussion by the branch's personnel, approved, against regulations, the use of circulating funds as three loans granted to a self-raised fund for a capital construction project; the three loans totaled 130 million yuan. The Communication Bank's Nachang branch granted loans of 5 million yuan for investment in real estate. The Guangdong Provincial International Trust and Investment Corporation's Shenzhen office tried to attract deposits by raising interest rates. The Nanhua Finance Company in Hainan made call loans of 40 million yuan from the Shenzhen Development Bank for investment in fixed assets. The Hainan's Huitong International Trust and Investment Corporation's Shenyang office made call loans of 10 million yuan for investment in fixed assets.

To strictly enforce the law and discipline and educate large numbers of workers and staff members in financial departments and a small number of discipline-violating cadres, the People's Bank of China and relevant departments have hereby made the following decision: The general manager of the People's Bank's Henan Provincial Financing Center, deputy general manager of the trust and investment company operated by the Bank of Industry and Commerce's Guangxi Region branch, president of the Agriculture Bank's Yuxi Prefecture branch in Yunnan, president of the Construction Bank's Shanxi Province branch, president of the Communication Bank's Nachang branch, general manager of the Guangdong Provincial International Trust and Investment Corporation's Shenzhen office, and general manager of the Nanhua Finance Company in Hainan are all recorded a serious administrative mistake and removed from their present posts, and the jobs for them will be arranged separately. The person in charge of the Bank of Industry and Commerce's Dongguan City branch is recorded a serious administrative mistake and, after

consulting with a relevant higher-level party organization, is removed from his position as secretary of the leading party group in the city branch. The president of the Bank of China's Fucheng branch in Sichuan, chairman of Hainan's Nanhua Finance Company Board of Directors (vice president of the Shenzhen Development Bank), and director of Hainan's Huitong International Trust and Investment Corporation's Shenyang office are removed from their posts, and the license for financing business by Hainan's Tuitong International Trust and Investment Corporation's Shenyang office is revoked.

In conclusion, the circular requires financial institutions at all levels and their large numbers of workers and staff members to learn a serious lesson from these problems, resolutely implement the "rules to be observed by all concerned" as well as various financial laws and regulations, effectively undertake the heavy responsibilities entrusted them by the state, and make fresh contributions to maintaining normal financial order and promoting the sustained, rapid, and healthy development of the national economy.

State Must Approve Foreign Financing for 3 Gorges

HK2803134595 Beijing ZHONGGUO XINWEN SHE
in English 1144 GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (CNS)—The General Office of China's State Council has recently issued an order to various places across the country that no departments or units are allowed to raise capital abroad in the name of "Three Gorges Project" without permission from the State Council.

In view of the increasing number of cases abusing the title of "Three Gorges Project" to undertake illegal business, the State Council has not only requested that the whole country should undergo rectification but also stipulated that only the owner, China Three Gorges Project Development Corporation (CTGPDC) has the authority to use the name of "Three Gorges Project".

The notice demands various regions and departments to strengthen unified supervision over those organizations which are designated to support the construction of the Three Gorges Project, and these organizations must be marked with "support" as to be differentiated from "Three Gorges Project".

The legal person of the Three Gorges Project is CTGPDC, which is empowered by the state to be responsible for the financing of the Project, the notice said. Purification and rectification should be implemented over those enterprises and organizations which exist in the name of "Three Gorges Project" or "support the Three Gorges Project". Any attempt of fraud, once found, will be transferred to public security for punishment.

Exchange Official: Too Early To Unify A, B Shares

HK2803130695 Beijing ZHONGGUO XINWEN SHE
in English 1116 GMT 28 Mar 95

[FBIS Transcribed Text] Hong Kong, March 28 (CNS)—At present, it is too early for the unification of A and B shares, said Wang Shumin, director of policy research department under the State Administration of Exchange Control.

According to Wang, A and B shares are products of China's exchange rate policies. B shares appear because renminbi cannot be exchanged freely with international hard currencies, yet China wants to lure a great deal of foreign capital. If A and B shares were to be unified now, foreign investors will be allowed to invest in A shares and, as a result, China will face the following three problems:

1. China's current market system has not yet developed to allow enterprises to use foreign currencies.
2. The scale and market capacity of China's current securities market are lagging far behind the criteria to open up to overseas investors.
3. There is a lack of rational investors in the securities market, with the majority of investors being unaware of the market risks involved.

Wang pointed out that the crux of the issue depends on whether China's foreign exchange reserve of US\$50 billion can withstand the market when overseas investors concentrate on investing a certain stock. China is able to have control over the entry of foreign capital at present, for example, the direct foreign investment needed to be approved by relevant departments. Moreover, China's industrial policies also limit the inflow of foreign funds which are not in line with state industrial policies. The unification of A and B shares, however, will allow the unlimited influx of foreign capital and this will adversely affect China's economic development.

Central Bank Forex Purchases To Increase Inflation

HK2803104995 Beijing CEI Database in English 28 Mar 95

[FBIS Transcribed Text] Beijing (CEIS)—Chinese banking experts have warned that the huge amount of money used by the Central Bank to purchase foreign exchange in 1994 might have the unexpected result of increasing inflation pressure.

They attributed the high inflation rate in the latter half of 1994 in part to the occupation of renminbi by foreign exchange.

According to the experts, the tight money supply in 1994 weakened the demand for foreign exchange. But the introduction of foreign exchange surrender system and the big influx of foreign capital increased the supply of

foreign exchange. In order to stabilize the exchange rate, the People's Bank of China, the Central Bank, had to use a large amount of renminbi to purchase foreign exchange, tantamount to the issuing of an excessive amount of currency.

Statistics of the People's Bank of China show that by the end of 1994, money spent for this purpose amounted to 450.388 billion yuan, 362.834 billion yuan more than the 87.554 billion yuan a year earlier, with a growth rate as high as 414.41 percent.

Statistics from other channels also point to the fact that the fundamental cause of 1994's net increase in money supply is no longer the oversupply of credits, but the extra money used to purchase foreign exchange, sources said.

The experts listed three reasons for the increase in inflation pressure. One is that a large amount of money in the purchase of foreign exchange went into the hands of enterprises through the foreign exchange surrender system. The use of this part of money will determine the degree of inflation pressure.

One is the increase in demand and decrease in supply. The commodities corresponding to the amount of money occupied by foreign exchange have flowed out of the country in kind or in services and that has caused the reduction in the total supply, they say. But enterprises have increased their income by selling foreign exchange to the state, thus increasing their demand. This increase in demand and decrease in supply will no doubt bring pressure to bear upon the prices.

The other reason is that enterprises have the full discretion to dispose of that amount of money. Although the government, aware of the consequences, has tried to urge enterprises to manage the money well, each enterprises might have several bank accounts and that makes it difficult for banks to oversee the use of such funds. It is extremely likely for enterprises to use the funds to expand the fixed assets investment, speculate on real estate and stocks, thus constituting the latent pressure on inflation.

The experts concluded that although the cost-pushed inflation in 1994 might be weakened, the impact on inflation of the huge amount of money occupied by foreign exchange can never be underestimated.

Scholar Denies Nation's Financial Vulnerability

*OW2803033495 Beijing XINHUA in English 0304
GMT 28 Mar 95*

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—China will not be another Mexico, but still it should keep a close watch on its capital-account foreign exchange to guard against a Mexican-style financial crisis, said a noted scholar at the Institute of Economics of the Chinese Academy of Social Sciences here today.

Yang Fan, a macro-economics researcher, dismissed foreign allegations describing China as one of the ten countries most vulnerable to financial crises, in an interview with XINHUA.

However, taking a lesson from the Mexican crisis, China should improve management of foreign exchange in order to prevent a massive influx of short-term speculative capital that could disturb the domestic financial market, Yang cautioned.

Unlike Mexico, where 80 percent of the international capital was in speculative stock investment, China will not suffer a major flight of capital, as foreign investment makes up merely six percent of the total investment in the country. What is more, the bulk of foreign investment in China is long-term, Yang explained.

He also said that China's on-going financial reforms are based on a healthy growth of the national economy, and China's opening of the financial sector to the outside world is being carried out in a gradual and planned way.

Mexico was beset by a cycle of skyrocketing inflation and economic recession that arose from good-intentioned government measures to tame inflation. No such cycle occurred in China, Yang added.

Political and social stability and a good performance in foreign trade in China all speak against a similar financial crisis, he further noted.

However, some similar elements which contributed to the Mexican crisis do exist in China, although not very obvious, Yang said, adding that some other elements might spring up as the Chinese economy develops further.

"Therefore, China must draw lessons from the Mexican crisis," the scholar explained.

He pointed out that the possibility of an excessive influx of "hot money" into China for arbitrage cannot be ruled out, due to the fact that the gap between interest rates for the Renminbi yuan and those for the US dollar are as large as six percentage points.

"If that really happens, the Chinese financial market will suffer," Yang warned.

As it is virtually impossible for China to cut the present interest rates, China must redouble its efforts to oversee foreign exchange on capital account so as to reduce the flow of "hot money".

Estimates by foreign financial institutions put global speculative capital at more than 1 trillion US dollars.

Yang said that if international "hot money" rushes into China, the country's central bank will be caught in a dilemma: it will be forced to either buy foreign exchange at the risk of driving up inflation by oversupplying cash, or refuse to buy the foreign exchange, thus making the local currency appreciate in value, harming exports.

"China does not want to see either of these cases, as both will put considerable pressure on the Chinese financial market," Yang said.

While acknowledging that it is necessary for China to reform its financial system at a time when it is shifting from a planned economy to a market economy, Yang noted that such reforms must be gradual and in keeping with national economic development.

"China must be prudent in the whole process of opening its financial sector to world competition, as well as in its endeavors to internationalize its stock market," Yang said.

Zhou Daojiong Named Securities Watchdog Chairman

OW2903094995 Beijing XINHUA in English 0816
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Senior Chinese banker Zhou Daojiong made his first public appearance as the head of the China Securities Regulatory Commission (CSRC) at the fifth national conference of the China Finance Society, which convened here today.

Zhou took over the post as the CSRC's new chairman yesterday from 65-year-old Liu Hongru, following a State Council decision. Before the appointment Zhou had acted as the vice-president of the State Development Bank, which was established a year ago.

Describing his new job as "very challenging," the 61-year-old Zhou said that the CSRC's focus in the near future will still be on bringing the fledgling market activities up to standard by speeding up securities legislation and enhancing enforcement of the laws in this regard.

"The securities market will continue its steady development," Zhou told XINHUA.

Observers here said that Zhou is the right person for the post, as he is experienced in long-term capital investment management. During his ten-year presidency of the People's Construction Bank of China, the main financial arm for fixed-assets investment, the bank's total capital assets snowballed from 168 billion yuan in 1984 to some 1,600 billion yuan in 1993.

***Article Views Foreign Exchange Reserves**

95CE0315A Beijing JINGJI RIBAO in Chinese 17 Feb 95 p 5

[Article by Wang Zhi (3769 2535): "Foreign Exchange Reserves: Adequate or Inadequate?"]

[FBIS Translated Text] As far as China's foreign exchange reserves were concerned, 1994 was a bumper year, with our national foreign exchange reserves

reaching \$51.6 billion for all of 1994, more than double that at the beginning of the year.

Foreign exchange reserves represent a country's economic might. The large increase in our foreign exchange reserves in 1994 has sharply improved our national foreign payment ability, and was the outcome of a series of national reform steps such as the merger of exchange rates and establishment of a bank exchange settlement system. Analysis by authoritative figures shows that in general, China's foreign exchange reserves growth structure is sound.

1. Our net exchange settlement from trade is up considerably. Bank exchange settlement data show that in 1994, our national trade exchange settlement reached \$77 billion, with exchange sales of \$61.4 billion, for a net exchange settlement of \$15.6 billion. Our nontrade exchange settlement was \$16.5 billion, with exchange sales of \$6 billion, for a net exchange settlement of \$10.5 billion.

2. Under the new system, exchange settlement has broadened in scope, with stricter demands, and some current account income that used to be retained as cash entering national foreign exchange reserves through exchange settlement.

3. Some enterprises, to earn larger profits, postponed exchange settlement of foreign exchange receivable in 1993 to the beginning of 1994, which amounted to about \$2 billion.

4. The further improvement of our investment climate attracted large amounts of foreign investment. The data show that in 1994, our real use of foreign investment reached \$35 billion.

While it is very hard to calculate precisely the optimal level for foreign exchange reserves, the international practice is that a country's foreign exchange reserves ought to meet the needs of three months of import exchange, while, in consideration of the repayment of foreign debt, gross foreign exchange reserves should cover 10 percent of the foreign debt balance. Based on China's import turnover and gross foreign debt, these two items add up to roughly \$40 billion. Meanwhile, in consideration of China's current bank settlement system, in which all enterprise foreign exchange should be sold to banks and needed exchange acquired through bank exchange sales, the central bank needs to hold a fixed amount of foreign exchange funds. In this case, China's foreign exchange reserves should now more suitably be maintained at roughly \$40-50 billion, which criterion our 1994 foreign exchange reserves met precisely.

On the other hand, while foreign exchange reserves growth is bound to make the central bank put more basic currency into circulation, this certainly must not be allowed to become a factor that would touch off or exacerbate inflation. Financial experts hold that steps taken by the central bank in 1994, such as recycling

reloans and reducing special loans, which stopped financial overdrafts, sharply reduced the amount of basic currency put into circulation due to foreign exchange holdings, reloans, and financial holdings, with the fact that the amount of basic currency put into circulation in 1994 remained essentially the same as in 1993 showing that the central bank has maintained effective overall control of the amount of basic currency that it puts into circulation. Moreover, the amount of basic currency put into circulation due to foreign exchange reserves growth differs from the fiscal currency issue, in that it is currency put into circulation with a material guarantee. Of course, we must not overlook that fact that increased foreign exchange holdings bring a certain amount of inflationary pressure, with the inflow of speculative foreign investment needing particular attention.

As to the current foreign exchange reserves of all countries and regions throughout the world, the top ranking ones are Japan, Taiwan, the United States, and Germany. Due to our foreign exchange reserves growth in 1994, China has skyrocketed from 89th to fifth place. Certain authoritative figures hold that as China's foreign trade expands, and our import restrictions are gradually eased, our exchange needs will grow. On the other hand, as price rises push up export costs, our export growth momentum will be affected. And adding in certain other factors, it is projected that it will be very hard for our 1995 foreign exchange reserves growth to maintain its 1994 momentum.

National Foreign Exchange Reserves Unit: \$100 Million

Year	Amount	Year	Amount
1979	8.4	1987	29.23
1980	-12.96	1988	33.72
1981	27.08	1989	55.50
1982	69.86	1990	110.93
1983	89.01	1991	217.12
1984	82.20	1992	194.43
1985	26.44	1993	212
1986	20.72	1994	516

***Article Urges More Business for Foreign Banks**

95CE0315B Beijing JINGJI CANKAO BAO in Chinese
17 Feb 95 p 1

[Article by Ye Guiguang (0673 2710 0342): "Opening the Gates Somewhat Wider To Speed Up Our Pace of Attracting Foreign Banks"]

[FBIS Translated Text] As the year's accounts are settled in the spring, the foreign bankers assembled at the more than 100 foreign bank representative offices in Beijing are now discussing a hot topic: When will Beijing allow them to operate as business institutions?

The data shows that from 1981 to the end of 1994, in 13 coastal Chinese cities such, as Shanghai, Shenzhen,

Guangzhou, Xiamen, Tianjin, and Dalian, approval was given for the operation of 118 foreign financial institutions as businesses; of these, 109 were foreign banks. And while Beijing has more than 100 foreign financial institution representative offices, it has not yet approved the operation of even one institution as a business.

It has been disclosed that Beijing is very likely to first give the green light to a number of foreign banks to operate as business institutions in 1995. All foreign bankers would like to be part of this first fortunate group, with even outsiders able to see their mood of expectant excitement.

From 1979 when the Japanese Import Bank was the first to gain access to China, to the end of the 1980s, when they were still in an exploratory stage, only a little over 30 foreign banks gained access to China during that decade. But as the Chinese economy has grown rapidly in the 1990s, foreign banks have come swarming, so that in just a short four or five years, China's domestic- and foreign-invested financial institution representative offices have increased sharply to 393, with the number of business-like institutions growing to 118. Of the foreign financial institutions "whipping China on," Japanese banks are in the majority with the largest business volume, while German and U.S. financial magnates watch enviously with their amazing skills. Regionally, Shanghai is the hotspot vied for by foreign bankers, ranking first among all large Chinese cities in its number of foreign bank branches and representative offices, as well as in its gross foreign financial institution assets. And Shenzhen is another popular city. But Beijing is undoubtedly the next major target of foreign bankers for business development in China.

In 1994, foreign banking figures made 5,000-6,000 trips to China to get their feet into the Chinese business door, with the People's Bank of China being a much visited place. Experts predict that the "China investment craze" by foreign banks will last for a very long time.

While the continuous stream of well-heeled foreign financial magnates is undoubtedly putting great competitive pressure on the few large domestic banks that are now being commercialized, from the macroeconomic perspective of national economic development and banking reform, it is certainly a great happening. Why do we say this?

1. The stream of foreign banks settling in China is bringing in large amounts of capital. The provision is that a foreign bank setting up a business institution in China must bring in capital equivalent to at least 100 million yuan. PBC data show that by the end of November 1994, the more than 100 foreign banks already officially operating in China had gross assets worth \$12.45 billion, with loan and deposit balances of respectively \$7.28 billion and \$2.699 billion. As for capital inflow and outflow, net capital inflow has reached \$5.8 billion.

2. Foreign banks bring advanced management expertise and business methods. In a little over a decade, through foreign bank introduction, many international banking businesses and technological innovations such as ATMs, credit cards, and telephone banking, as well as computerized and automated deposit withdrawal, note clearing, international remittance, and data transmission, have begun to be applied and gradually disseminated in China's banking world, with success known to all.

3. Since the arrival of foreign banks, their orderly competition with domestic banks has improved domestic banking efficiency, management, and staff quality. Taking foreign exchange business for instance, our current domestic banks plus foreign banks have over 200 business agencies, of which the more efficient ones providing the better service at lower fees get the most business and have the best efficiency. Competition has resulted in the growth of all. The international settlement speed of domestic banks is now about the same as that of foreign banks.

"Opening the gates somewhat wider" to speed up the pace of attracting foreign banks is the hope of foreign bankers, as well as the proper way for Chinese banking to open up further to the outside world. In the long-run, accomplishing this well will not only enable our major domestic cities to gradually open up their money markets in a selective way, but will even more crucially allow foreign banks to handle yuan business, so that foreign financial institutions can enjoy "national treatment" in China.

It is reported that one foreign bank in Xiamen has already been permitted to experimentally operate yuan business, with pilot projects also about to begin in places such as Shanghai and Shenzhen. The experts hold that the terms for allowing foreign banks to experimentally provide yuan services are gradually maturing. This is because:

—While nonmoney-making policy loans of domestic special banks used to account for over one-half of their loans, foreign banks were not so burdened, putting the two in a position of unequal competition. But through reform, most policy business has now been separated out, with domestic banks practicing commercialized operations, and tax burdens being gradually made uniform, so that an order of equal competition among domestic and foreign banks is now gradually forming. As to the experimental opening up of yuan business to foreign banks, as long as we tighten our standardized management, we will not see unhealthy competition or the foreigners raking in exorbitant profits.

—Before 1993, the yuan had two exchange rates. The concern at the time was that if foreign banks were allowed to provide yuan services, they would employ arbitrage to profit from the exchange rate disparity. But since our exchange rates merger in 1994, this technical obstacle has been removed.

—With foreign banks gaining access to China, Chinese banks are also acquiring access to the world. Domestic banks have now set up hundreds of agencies abroad, which are taking a direct part in international market financial activities, with all foreign countries having allowed us first to do business in their currencies. So as to reciprocity, allowing foreign banks to experiment with yuan business is a matter of logic.

*Report Discusses Rising Savings, Inflation

95CE0315C Beijing JINGJI RIBAO in Chinese 18 Feb 95 p 2

[Report: "Individual Consumption Is Steady But Brisk"]

[FBIS Translated Text] With such severe inflation, how did savings reach their highest level since 1978?

Why did gross retail commodity sales grow less than savings in 1994?

Along with the rapid growth of our national economy, both the income and savings of Chinese residents increased sharply in 1994, with resident consumption steady but brisk, and securities investments mainly in national treasury bonds, while the rate of cash on hand remained high.

Data provided by the Enterprise and Resident Survey Office of the People's Bank of China's Polling Data Department, when analyzing these features, noted that in 1994, the per capita cost of living income of China's urban residents reached 3,150 yuan, up 34.8 percent from 1993, with the per capita net income of rural residents reaching 1,200 yuan, up 30.3 percent. Corrected for inflation, the net incomes of our urban and rural residents were up respectively 7.8 percent and 5 percent from 1993. The one item of the state's large increase in the prices of farm and sideline products alone raised rural individual incomes about 30 percent to an historic high. In addition, the remuneration that rural residents earned from all types of collective and township enterprises in the first three quarters of 1994 averaged 14.75 yuan per capita, up 38.5 percent from the same period in 1993. Affected by the rapid growth of individual cash income, by the end of December 1994, the individual savings balance in financial institutions throughout China had topped 2.15 trillion yuan, up 631.5 billion yuan for the year, to surpass the increase for the previous two years combined, with the increase setting the highest record since 1978.

It needs to be noted that 1994 was also the year of highest price rises since 1978. So with such severe inflation, why did savings deposits continue to grow so sharply? Analysis of this polling data shows that this was caused mainly by the following: 1) The resumption of hedge savings raised depositor confidence. Since the resumption on 11 July 1993 of the hedge subsidy on time deposits of over three years, as prices have climbed steadily, the subsidy rate as announced by the central

bank has also risen monthly, effectively making up depositor losses, to make savings more attractive. 2) The largest price rises in 1994 were on farm and sideline products, the features of which commodities leave them unsuited to panic buying. It is estimated that of the factors in 1994 price rises, the rise in farm and sideline product prices accounted for three-fifths, excluding which factor the rise in other commodity prices was less than 10 percent, with the prices of many other commodities such as some durable consumer goods rising little. 3) The puzzlingly low stock market inventory adjustment forced quite a few funds out of the stock market and into savings. 4) Of the new increased savings deposits, a minority was certainly due to the private deposit of public funds, with a considerable part of deposits being in the category of individual production-operation deposits. As such deposits are essential for individual production operations, being mostly production-operation deposits for household operations and peasant deposits for purchasing agricultural capital goods, they are affected less by prices, which was another factor creating savings deposits growth.

As to the causes of individual consumption tending to be slack in the first half of 1994 and steady but brisk in the last half, the polling data notes that since the overheated consumption growth began to gradually recede at the end of 1993, factors such as the state's tightening of currency put into circulation in the first half of 1994, along with its issue of 100 billion yuan worth of treasury bonds to disperse purchasing power, tended to make individual consumption slack. But after the beginning of the third quarter of 1994, first, the upward adjustment of food prices raised real peasant income; second, the growth of foreign exchange savings brought an increase in foreign exchange holdings to increase the money supply; and third, the sharp price rise momentum, all correspondingly stimulated the shift to brisk consumption. By urban and rural areas, in the first 11 months of 1994, gross retail commodity sales rose 32.3 percent in the cities and 27.5 percent in the countryside, with the rural figure approaching the urban one for the first time due mainly to the large increase in farm and sideline product prices. The data also particularly pinpointed the cause of the lower growth of gross retail commodity sales than savings deposits in 1994 as being mainly that a new consumption fever had not yet formed. Nearly all urban households now have the traditional household appliances, with housing and cars not yet having become a major source of household spending, and a new round of household-appliance fever among rural households also having not yet arrived. As to sales of durable consumer goods, sales of traditional household appliances such as color TVs, refrigerators, and washing machines increased less, generally under 25 percent, while sales of acoustics components, cameras, and watches grew more, respectively 152 percent, 473 percent, and 231 percent.

Analysis of individual consumption from the perspective of stock investment shows that there were very few new stock issues in 1994, with only 29 stock issues for the

year, involving 767 million yuan worth of shares to raise 4.15 billion yuan (not including 320 million in petrochemical quota shares), being mainly carry-overs of unused quotas from the end of 1993. Individual securities investment was mainly in national treasury bonds, with the Ministry of Finance issuing treasury bonds worth 102 billion yuan in 1994 (not including 5 billion yuan worth of 1994-payback six-month bonds). And as a considerable part of these were institutional group holdings, there is still no precise figure on the part bought by individuals. As to the current secondary stock market, volatility is sharp and risk great. For the first seven months of 1994, China's two stock markets in Shenzhen and Shanghai continued to decline. And while the Shenzhen and Shanghai stock markets both quickly rose after the state put relevant policies into effect in August, with the amount of funds entering the market growing sharply, both stock markets quickly receded again after September, with shareholders holding onto their money with a wait-and-see approach, preparing to shift stock market funds to savings. By October, when the stock market inventory was being adjusted, some shareholders were concerned about profit-taking and security, so they shifted funds from stock to savings, which was another key cause of the savings growth. In addition, residents now have a lot of cash on hand. The survey found that the major motive for holding cash was everyday incidental expenses at about 56.2 percent, with business revolving funds second at around 18.6 percent and steadily growing. Meanwhile, purchases of negotiable securities and impulse buying accounted for respectively 10.5 percent and 14.8 percent.

*Article Views Instability of Stock Markets

95CE0236A Hong Kong CHING PAO [THE MIRROR]
in Chinese No 12, 5 Dec 94 pp 51-53

[Article by Pu Yang (3184 7122): "Analysis of Unstable Securities Markets"]

[FBIS Translated Text] Mainland China stock market shaping up—close to 300 corporations listed, with an overall market value of 400 billion yuan; but the gap between mostly public-owned enterprises and the stock market is the chief problem that causes great fluctuations in the stock market.

In recent months, the mainland China stock market showed another great fluctuation that aroused the attention of commentators at home and abroad. Take the Shanghai stock market as an example, where the rising index fell from a high of over 1,500 points in the spring of last year to a low of 300 points in July of this year, and the government had to exercise certain policies to save the market. The result was that beginning in August, the stock index rose rapidly, doubling itself in a week, so that after a month, it had broken through 1,000 points. However, this optimistic picture did not last long, for it made a rapid descent down to the 600-point level in a fortnight's time, during which the spread of a stock's

value could be as much as 50 percent. Not only was the overall situation like this, the situation with ordinarily jumpy stocks was even more confusing. Not long ago, a stock on the Shenzhen market, for no reason at all, rose one and one-half times its value in a day, but within a few days, it dropped back to its original value. Similar "surprises" also take place periodically on the Shanghai market.

Actually, the mainland China stock market from its beginning to the present has never experienced a period of stability. While a new startup stock market must necessarily be a little opportunistic, a "monkey" market with sharp rises and drops of such wide spread is rarely seen worldwide. Then what is the cause of such a phenomenon? The general opinion places the cause on a young market affected by frequent policy changes and rumors. While these factors are sure to influence market fluctuations, is it possible that deeper causes with a "characteristic Chinese flavor" exist? The answer is affirmative.

System Deficiencies

Under the banner of developing a socialist market economy, stocks and stock markets which are most characteristic of a capitalist economy suddenly popped up on the China mainland. After rapid development over a few years, the mainland China stock market is beginning to shape up. Up to the present time, close to 300 corporations, with a combined total worth of about 400 billion yuan, have entered the market. But whether the organizational format of the mostly public-owned enterprises and the stock market can really accommodate each other is a problem that has never caught the attention of many people. If we just think back, it is not difficult to see that the two, to a large extent, are not compatible. This is one of the important problems that is causing such wide swings in the mainland stock market.

At present, two aspects of the mainland stock market are related to the public ownership system. The first is that practically all corporations entering the market were converted from originally completely public-owned or collective enterprises. The stockholding structure of most of these enterprises was made up of mostly state and legal person shares, with less than 30 percent (5 percent in some cases) in individual shares. Because what can be circulated on the market now is limited to individual shares, enterprise ownership is still quite concentrated in its public ownership form. On one hand, such a stock structure leads enterprises to issue shares as a means of raising capital without any real change in policy and management operation within the enterprise, such that after a system change, management operation in many enterprises do not show any improvement, but low performance instead. On the other hand, individual or institutional investors who own shares traded on the market have negligible influence on enterprise operations, a situation which leads to a disconnection between corporations entering the market and the stock market.

It is very easy in this manner for the stock market to become opportunistic in nature.

The second aspect is related to active opportunist investors in the market. Such institutions (including stock brokers and other legal person institutions) are mostly state-owned or collective groups. By using public funds to "play the stock market" in a manner similar to other managers from state-owned or collective enterprises engaging in other business activities, they can only handle profit, but not loss. Add the fact that they generally hold vast sums of capital, and results are regularly earthshaking, leading to wide swings. At present, "banker" shares are available both on the Shanghai and Shenzhen markets. Such shares are controlled by one or several strong institutions who act as the banker. The prices on these shares can mysteriously rise to outlandish heights from which they take sudden "dives." Some individuals use such tactics to convert what is public to private (called "public funds carry the sedan chair, but private money gets to ride in sedan"), but those in charge are quite indifferent to the situation.

No Recourse

Up to the present time, there is no "securities law" to follow, except for some provisional regulations that are issued from time to time and are available for reference during the trading process. However, the problem is that these regulations are far from complete, and a corresponding supervisory mechanism is lacking. Therefore, acts inconsistent with these provisional regulations frequently occur.

First is rules violations on the management level. Not only do those on the highest level change policy and rules frequently, the institutions concerned with actual management also violate the law in public or play what is called "touch ball." For example, for shares to be issued by a corporation for placement on the market, according to rules determined by the Securities Regulatory Commission, three years must elapse before such stocks can enter the market. However, stock exchanges under it have been proceeding at will ahead of time to carry out trades to satisfy demands of certain elements who stand to benefit. Not long ago, this aroused strong objections from a large number of shareholders.

Second is rules violations by enterprises. Because effective restraints and supervisory mechanisms are lacking, corporations not conforming to the rules are seen entering the market in various forms in record-breaking numbers. For example, some change their management style and investment goals on their own, some keep fictitious books or nominal accounts, and some expose information on the company at will, etc. As the value of original-issue shares frequently multiply many times over once they are put on the market, some companies will use such shares as favors (or sell them in batches) or as gifts to agency cadres and other connections. In such instances, the stock market simply becomes the "money bags" for a certain privileged class. When faced with

various illegal acts committed by various companies, and management turns a blind eye or make a token excuse that such acts are "unusual," the result will only be rules violations ad infinitum.

Third is rules violations by the media. At the heels of a growing number of people in large and mid-sized towns "playing the stock market," numerous legal and illegal publications have appeared in response. Radio and television stations are also showing they are second to none in meeting this need. Practically every radio and television station in Shanghai has program items on market conditions and stock appraisals. As no legal restraint exists, some scheming "stock appraisers" were able to spread false rumors through officials to reap profits for themselves. Sometime ago, some "stock appraiser" in Shanghai used the radio station to suggest share purchases of certain stocks to its listeners. The value of these stocks took off at once, and the "stock appraiser" (or his affiliated organization) was able to get himself off the hook by hooking others.

Gambling Instincts Overly Strong

Gambling is strictly forbidden on the China mainland, but where has one not seen any gambling? In some rural areas is an adage that says "anyone who does not gamble is not human." So when the stock market made its appearance, it provided a public and legal place for such opportunistic activities.

This writer had surveyed several stock brokerage businesses in Shanghai and found that practically none of the shareholders interviewed expressed a desire to be a long-term investor. Practically all of them regard "playing the stock market" as a gambling activity in disguise. Once a new share appears on the market, the "turnover rate" within the same day frequently exceeds 100 percent, which amply shows that few people consider the purchase and sale of stocks as a long-term investment activity.

It is said in Shanghai that there are more "gambling joints (stock brokerage businesses) than stores selling rice." In reality, stock brokerage businesses of all sizes (over 500) dot the city, a unique Shanghai characteristic. In each firm, large groups of shareholders are gathered, watching a "numbers movie" (instantaneous stock market readings) on a large screen on an opposite wall, or they may gather around individual computers watching the "M" or "W" curves drawn by a piece of "Money Dragon" software made by a Taiwan company. Only a slight change is needed for these shareholders to rush forward like bees to fly in or out to cash in on the difference, in such a frenzied way as to attain the world record in the number of transactions made in one day.

A strong opportunism is fully reflected in share prices. In the mainland China (particularly Shanghai) stock market, the highs and lows in share prices are determined primarily by size of a specific stock, whether the stock is banked by anyone, or which "concept" or

"board" it is associated with, all having little to do with an enterprise's performance. For some companies with a poor performance record (not even able to complete 20 percent of their yearly quota at midpoint), their mid-year financial reports even show continuous earthshaking rises in their stock, starting sometimes with a rising spread. The market profit for some stocks (primary indexes reflecting company profit and share price) can multiply as much as 300 to 400 times (generally about 20 times).

A summary of the above shows that great highs and great lows in the mainland stock market are rather "normal," for under such circumstances, wouldn't it be absurd for it to show relative stability?

Abuse and Corruption of All Kinds

The positive effect of the stock market on the market economy should be an accepted premise, but it cannot be accepted without a certain amount of opportunism. However, in a stock market such as the one in mainland China that is always unstable, abuse and corruption are inevitable.

These abuses include: 1) A separation of the transitionally opportunist stock market from the nation's economic and social development and its politics in such a way that it is not possible to evoke a "bellweather" effect. 2) The stock market has little effect on a company entering the market, but it is not favorable to the latter changing its operational style to improve economic performance. On the contrary, results show the earlier the company enters the market, the worse is its performance. 3) A mixed public and private stock market provides some people an opportunity to convert what is public to what is private, and use special privilege to find shortcuts to get rich. 4) Frenzied dreams of "getting rich quick" and a less than perfect system lead many public employees and stock traders into criminal acts where they use public funds to "play the stock market," resulting in loss of large amounts of public funds. 5) Many people are joining the ranks of "stock market players" (over one million persons in Shanghai alone), a phenomenon which affects normal work activity in enterprises in a negative way. At the same time, it can also provoke social instability.

As the result, it is necessary to control excessive opportunism in order to sustain relative stability in the stock market. Recently, management has made some changes pertaining to trading provisions and information disclosure, and is in the process of establishing a more perfect supervisory mechanism and a market regulatory system. However, to basically resolve this problem, real headway should be made in reforming the system, establishing a legal system, and raising investor awareness.

*Securities Official Views Future of Stock Markets

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 48, 5 Dec 94 pp 22-23

[Report by staff reporters Wang Yen-shen (3769 3601 5256) and Chiang Tao (3068 3447): "Liu Hongru on the

Securities Markets—the Urgent Task Ahead Being Standardization and Training of Qualified Personnel”]

[FBIS Translated Text] On 25 January, Liu Hongru, chairman of China's Securities Supervision and Administration Committee, received this journal's staff reporters and several other Hong Kong reporters. Chairman Liu noted that while development of a securities market in China the last few years has been moving at a very rapid pace, the task at present is not to expand its scope or speed it up, but to allow it to mature and become more standardized. It must evolve from a mostly short-term opportunism toward long-term investment, with a proportional percentage increase in institutional investment, reduction in risk for individual household accounts, and increased market support. He feels that the key to standardization in China's securities markets lies in legislation and the training of qualified personnel.

Four Priorities Accomplished by the Securities Regulatory Commission

Liu Hongru has been working in the financial field for a long time. He had been vice-president of China's People's Bank for 10 years, and later was deputy director on the State Reform Commission. He feels that the latest and most difficult of China's reforms to start up are the financial markets, particularly the securities market. He says that even though securities were beginning to be issued in 1983, they did not resemble securities nor was there any regulatory standard. After the "August 10th" incident that occurred in Shenzhen in 1992, the paradox of how market regulations could not keep up was exposed. The State Council then decided to establish a State Council securities commission to be a policy-making body. At the same time, it also set up a securities regulatory commission to specifically supervise and regulate the securities markets. During the last two years, the Securities Supervision and Administration Committee has been concentrating on the four tasks described below.

The first deals with legislation. Before a "securities law" could be issued, the commission first drafted supervisory rules and regulations. In short order, the State Council issued 13 regulations, among which are "Temporary Provisions for the Issue and Trading of Stocks" and "Temporary Rules for Managing a Stock Exchange." At the same time, the laws were to be followed strictly—the markets were to be conducted according to the law, and violations, when found, would be publicized and treated accordingly.

Second is a good grasp on the issuance of stocks. Originally, the issuance of stocks was limited to corporations and companies in Shanghai and Shenzhen. On one hand, this method narrowed the market and brought on tension because of contradictions in supply and demand. On the other hand, other provinces and cities also requested that enterprises they had selected be allowed to list on the market, otherwise there would be regional

imbalances. Later on, the State Council Securities Commission decided to broaden the number of pilot locations for stock issuance and sale, thereby allowing provinces and cities nationwide to select enterprises for entrance into the market. With that, the problem of how the stocks should be issued came up. Later on, after we had studied experiences encountered on the state and regional levels, we decided to adopt a no-limit issue and purchase formula, where only an at-cost charge was made for each listing. At the same time, another method that was tied in with funds in savings accounts was adopted. This way, problems with such corrupt practices as long lines, back-door deals, favoritism, etc., were resolved. The present practice of stock being issued at competitive prices is beginning to be consistent with practices observed in Hong Kong and in other international markets.

Third is strengthening market regulation by the stock exchange to prevent insider trading.

Fourth is selecting enterprises for entering markets abroad. In the beginning the Hong Kong Securities Exchange Commission suggested selecting some Chinese enterprises from China's interior regions to enter the Hong Kong market, a move that would benefit the stability and prosperity of Hong Kong's economy. To this end, some people from Hong Kong and China organized a small group to study the legal ramifications and foreign exchange and marketing problems involved. The two sides also drafted a supervisory regulatory agreement for these enterprises to gradually enter the Hong Kong market. After these enterprises had successfully entered the market, the State Council recognized that this method of using outside capital to keep investment costs low was a beneficial one, and expanded the number to 22 enterprises this year, of which 5 entered the American market and the other 17 the Hong Kong market.

This year the State Council also decided to turn the task of supervising and regulating futures to the Securities Supervision and Administration Committee, which includes supervising futures exchanges and futures trading companies. The important task right now is reorganizing the futures markets for the next round, particularly for companies dealing with foreign exchange futures. After mergers, the futures exchanges underwent inspection again, with approval granted to 15 of them. The companies dealing with futures also needed shaking up through individual checkups and new regulations covering their scope of operation.

Development Toward Standardization

Liu Hongru feels the important problem facing the Chinese stock market right now is due to it being in a new and immature stage of development. Where short-term opportunism and fluctuations in the market are comparatively great, they lead to appearance of a structural imbalance. Among the 288 companies entering the market, most are large and mid-sized enterprises, but

investors entering the market are mostly individual accounts, so support for the market is weak. When the numerous short-term opportunists and individual accounts follow the market highs and lows with a psychological tension, social stability is affected. Because these two problems are inseparable, a basic solution requires more institutional investors.

In discussing the direction that development of China's stock market should take, Liu Hongru said that the imminent task is not expanding the market's scope and stepping up the pace, but gearing toward maturity and standardization. It must change gradually, from predominantly short-term opportunities to long-term investments where the proportional percentage of institutional investment is increased, risk for individual accounts is diminished, and support for the market is increased. This problem is being studied right now. This requires establishment of a strengthened legal system to strictly enforce the law and operate the market accordingly. The government and the market must be separated, to reduce government interference in the market. Based on experiences gained, overseas markets must be added on gradually. Whether it be enterprises entering overseas or domestic markets, the key is in improving their quality. Since this affects the vital interests of millions of investors, the Securities Supervision and Administration Committee must use great care to check on the quality of enterprises entering the market.

Time Needed Before Entrance of Legal Person Shares Into Market

When China first began establishing a pilot stock market system, we found that to protect the primary position of the public-ownership system and the state, legal person and social/public shares in it the number of state and legal person shares must be maintained at a set ratio, and not marketed nor transferred, and only the social/public shares were allowed to enter the market and be traded. The "Incorporation Law" implemented on 1 July classifies stocks as sponsor shares and social/public shares. Sponsor shares including state-owned shares comprise most of the stock, and the concept of legal person shares will eventually become history. Then, how will the existing legal person shares tie in with the "Incorporation Law," and how will this residual problem be resolved?

Liu Hongru says that the problem of legal person shares needs to be resolved gradually, which takes time. This is based primarily on two causes. First, transfer of legal person shares requires a regulation, for one cannot, at will, transfer all of an enterprise's assets to someone else. The same applies to state-owned shares. Regulations need to be strengthened for any transfer to be made in accordance with the law. Secondly, a balance in the market's supply and demand must be considered. The original value of stocks that can circulate in the market now is only 18 billion yuan, which poses a problem of inadequate capital assets support. Under such circumstances, if a large volume of state-owned and legal person

shares are suddenly released, who will buy them? This will put pressure on the stock market, and share prices will definitely drop. Consequently, shareholders will incur losses, and the market will become unstable. Because of reasons just described, legal person shares will need some time before they can go on the market. However, this problem definitely needs solution.

Timing of 5.5 Billion Yuan Entering Market Dependent on Market Conditions

On 29 July of this year, when the Chinese stock market was sluggish over a long period, the China Securities Supervision and Administration Committee, collaborating with several related agencies, put forth several measures.

With respect to the issue of 5.5 billion yuan of stock planned for 1993, only 5 billion yuan had been issued, though the quota was set for 5.5 billion yuan. The ceiling for the 1994 issue was also set at 5.5 billion yuan, a figure not considered high. However, because stock market prices continued to drop and never rallied, the issuance of various new stocks for entrance into the market was temporarily shelved. As to when shares from the planned issue of 1994 stock and the residual shares from 1993 stock will appear on the market depends on the market itself.

Liu also states that to improve the quality of companies entering the market, an advisory system providing guidance for such enterprises will be implemented to assure that their operating mechanisms have undergone a true change and not a superficial one. When enterprises apply to enter the market again next year, before any of their stock can be issued, they must have had half a year of guidance which must be continued for another six months after stock issuance. Moreover, timing for the market entrance of a stock must also be set aside and arranged according to market supply and demand conditions.

Domestic Fund To Be Established Soon

On developing and establishing a common domestic investment fund, Liu Hongru states that regulations for establishing a domestic fund are being revised, and a draft report needs to be submitted to the leadership for examination and approval, before implementation. Right now, we must first have the legislation before any action can be taken, in part to insure the interests of the investors. We think the process for establishing a domestic fund can go forward a little faster at a steadier pace. Once the joint investment fund has been established. The problem of not allowing party politicians and cadres to trade in securities is also resolved. The fund, as the legal person shouldering both benefit and risk, is beneficial to social stability. Furthermore, it can also fight opportunistic elements who seek to manipulate the markets.

Trial Implementation of Joint Sino-Foreign Fund Under Study

With respect to the funds management corporation run as a joint Sino-foreign venture supported by domestic and foreign capital, there are numerous opinions. The primary concern is that attracting foreign capital for investment in A shares on China's stock market may affect the domestic market, on the one hand, and the foreign exchange market, on the other. We have studied this repeatedly and expect to propose some necessary conditions for attracting foreign funds. For example:

Setting up a fund management corporation as a Sino-foreign venture supported by domestic and foreign investments. The corporation will be registered in China and controlled by Chinese and not by foreigners. The amount of funds approved for this corporation to attract from foreign sources must be a set figure. Now, what is the maximum proportion of shares that this fund can purchase and own in a company? Generally, this figure is not to exceed 10 percent. Timing of remittances abroad of profits made by the fund must be restricted, as will be the turnover rate. The number of times that an enterprise's shares can be traded is also subject to limitation. The foreign sources of this joint investment capital must be the several hundred large institutions in the world who command rich capital assets and respected reputations.

Liu Hongru also said that establishing such a fund management corporation as a Sino-foreign joint venture is very risky and needs further study of an actual plan, the legal ramifications, and assurances of our interests, as well as those of foreign investors. Without rules and regulations, it is not possible to do. To write such a law further requires an integrated learning process which takes time. Quite possibly, this requires even more time than establishing a domestic fund.

He also told reporters present that for China's stock market to become standardized, depends first on having the prepared legislation; second, on personnel. At present, the "securities law" has been turned over to the Standing Committee of the CPC for study and discussion, while other related regulations are also being drawn up. Once the legislation is in place, qualified specialists who are knowledgeable about securities regulation and the stock market are needed before market standardization can be implemented.

***City Leaders See Shanghai as Financial Center**
95CE0320A Beijing JINRONG SHIBAO in Chinese 27 Feb 95 pp 1,2

[Article by Shanghai correspondents Tong Guoping (4547 0948 1627), Xu Yali (1776 0068 7787), Yang Shuang (2799 3642), Li Jisheng (2621 3444 3932), and Zhang Xudong (1728 2485 2639): "Shanghai, Bright Pearl' of World Finance—Record of an Interview with the Municipal Government and Financial Circles of Shanghai"]

[FBIS Translated Text] Finance is the core and foremost element of any modern economy. During the period from 1992 to 1994, Shanghai's GNP has progressively increased at an average annual rate of almost 15 percent, which was higher than the average rate for the country as a whole during the same period. With an economic situation of this kind, reestablishment of Shanghai as an international financial center has become an urgent necessity as part of the overall development of market economy.

Xu Kuangdi [1776 0562 6611], mayor of Shanghai Municipality: Deng Xiaoping once said: "Finance is very important, it is the core of modern economy. Shanghai was once a financial center, a place of free currency exchange, and we must have this also in future. To gain international standing in the world, China will have to depend primarily on Shanghai." We believe that reinstating Shanghai as an international financial center is certainly not merely a general and timely urge, or a wishful idea of the people of Shanghai, somewhat like an Arabian Nights story, but rather an objective demand which the development of the socialist market economy imposes on us.

China has by now made considerable progress in the reform of its commodity production and circulation. State-owned enterprises are in the process of transforming their operational mechanisms and of moving toward market-oriented operations. Collective, private, and foreign-invested enterprises occupy half of the ground. At the same time, prices for most consumer goods have been decontrolled, and market mechanisms are starting to be applied in the area of commodity circulation. This situation poses very high demands on the domestic financial structure and on the flow of capital.

As far as international trade development is concerned, China has already substantially increased its opening to the outside world, and China's foreign trade now accounts for 38 percent of its GNP. In international trade, China ranks among the large import-export countries of the world. However, in the area of international finance, China's state-owned banks are unable to provide comprehensive services, and this hampers further development of China's foreign-trade-oriented economy.

Now again as to Shanghai's situation. Shanghai has once been the financial center of China and even of the whole Far East and also the most prominent economic center of the country. Shanghai's position and role will also be of decisive importance for the future economic development of China. To have Shanghai truly become leader of and bridge to future economic development it is first of all necessary to build up Shanghai into an international financial center. The objective is very clear for us in the Shanghai Municipal Government, namely to adhere to the "one leader, three centers" strategic policy of the CPC Central Committee and the State Council and to

forge ahead with greater speed toward having Shanghai become an internationalized metropolis, and finance must in this respect be our foremost field of action.

Mao Yingliang [3029 2019 2733], manager, Shanghai branch of the People's Bank of China: Shanghai possesses four advantages for its development into an international financial center. First, its overall advantages, which comprise the advantage of its economic-geographic location, its huge technological base, its well-developed industrial base, abundant manpower, and its gradually developing and expanding financial trade, which factors make up its overall strength. Second, its comparative advantage. As China's largest city, Shanghai's total economic and financial strength is above that of all other Chinese cities. Third, its policy advantage. The policy of developing and opening up the new zone of Pudong is indicative of Shanghai being favored by a very beneficial policy. Fourth, the advantage of potential. A comparatively strong concentration of talents and a set of comparatively well-standardized institutions will provide strong logistic support for Shanghai's future development.

Looking out from manager Mao Yingliang's office to the other side of the Huangpu River, there is the favorably placed financial and commercial district of Lujiazui—the "Pearl of the East"—gradually taking shape. Development of Pudong gives high hopes for Shanghai's future rise to even greater eminence, while the changes achieved in the 10-odd years of financial reforms have laid a firm foundation for Shanghai's return to the great stage of international economics.

Mao Yingliang: As is generally known, Shanghai was once the international financial center of the Far East. At the height of its power and splendor, there were 134 Chinese banks, 80 old-style money shops, eight trust companies, and 15 foreign banks gathered in Shanghai, and 58 of these had been head offices of these institutions. Through reform and opening to the outside world, Shanghai has finally emerged from the hard times of past years and is now making steady progress toward its target of becoming an international financial center. The changes involved in this process will occur mainly in the following areas:

First, initial perfection of the organizational setup of finance by forming a new overall situation in which the central bank will be the leading institution, in which the state-owned commercial banks will be principal parts, and in which various different kinds of financial institutions will exist side by side. The development and increasing strength of a great variety of financial institutions will obviously improve capital fund conditions in Shanghai. For the first time, beginning in 1993, deposits exceeded loans in the new department that was started in that year. By March 1994, the cumulative deposit-loan balance for the first time showed a negative deposit balance.

Second, rapid growth of the money market. With the securities, foreign exchange, and the interbank loan

markets as main components, a market system has gradually come into being, and a discount market has begun to assume a certain proportion. Some of these markets have by now developed into nationwide markets.

Third, the process of opening up to the outside world is continuously expanding. Most striking is the fact that Shanghai has already become a city with the most foreign-invested institutions. There are 31 foreign-invested banks and bank branches, insurance companies, finance companies, and Chinese-foreign joint venture banks and an additional 84 representative offices of foreign financial institutions approved for operations in Shanghai. The entry of foreign-invested financial institutions has brought capital, customers, modern management experiences, and the mechanisms of competition to Shanghai.

Fourth, new financial instruments are constantly being developed, as with, for instance, the introduction of consortium loans; loans against mortgages and other collateral; the issue in the securities market of A, B, and H shares and of various bonds; development of the insurance market; handling of new kinds of insurance risks, etc.

Fifth, continuous modernization of financial processing methods, such as installation of "cash machine card" equipment, computerization of bank clearing within the city, etc. The new mansion housing the People's Bank, the Yinhang Daxia, has been made into a "house of modern intelligence" with full automation of all operations.

Sixth, more energetic regulation and supervision by the central bank. This will primarily be felt in such areas as firm control of overall volume and firm implementation of the central government's policies; strengthening of supervision and control of finance; a change from primarily direct regulatory and control measures to primarily indirect regulatory and control measures; and strengthening investigation and statistics in order to provide the best information for macroeconomic decisions.

Wei Wenyuan [1414 2429 3220], chief manager, the Shanghai Stock Exchange: Right from the start in December of 1990, the Shanghai Stock Exchange aimed not only at the Shanghai market but rather at the whole country and even at the whole world as its market. Within the short time of a little over three years, the Shanghai Exchange has displayed the spirit of untiring exploration and accomplished what others would require several decades to do. By now, the stocks listed at the Shanghai Exchange have increased from the initial eight to over 200, and the total capital of listed stocks has increased from an initial 240 million yuan to over 40 billion yuan. The sources from which listed stocks are coming in have expanded from formerly only Shanghai to now almost every province, municipality, and autonomous region of the country. There are by now over 20

types of treasury bonds, and there is a futures market as well as a spot stock market. In the very short period of one year we have been able to build up a communication system with 1,400 satellite receiving substations for market quotations and for the transmission of special data. We have created a new capital market in which 540 firms and over 5 million investors participate, with 2,800 seats at the exchange, and a trading network that extends over all the provinces of the country. The total annual volume of trade exceeds 2 trillion shares and bonds, both types being of equal importance. The astonishing development of the Shanghai Stock Exchange during the past somewhat over three years is genuine proof that the reform of China's economic structure is continuously and unswervingly advancing, and that a milestone has also been reached in Shanghai's advance toward becoming an international financial center.

Wy Fulin [0702 1381 2651], China Foreign Exchange Trading Center: The China Foreign Exchange Trading Center is successor to the former Shanghai Foreign Exchange Adjustment Market. It has by now burst out from its former regional boundaries and become a nationwide foreign exchange market. The Center has now formed a network with 19 large cities throughout the country, and its membership has expanded to 288 firms or institutions. The volume of its exchange transactions from its official start in April last year to the end of November has reached \$34 billion, and is now achieving a daily trade volume of around \$200 million. Even though China's foreign exchange center cannot presently compare in trade volume and variety of items traded with similar markets in highly developed cities abroad, it is clear from the fact that the state is concentrating the country's entire foreign exchange trading at Shanghai, that the central government has decided on the strategy of building Shanghai into an international financial center.

Jiang Jianqing [1203 1696 3237], assistant manager, Shanghai branch, and concurrently manager, Pudong branch, Industrial and Commercial Bank of China: With its Pudong branch, the Industrial and Commercial Bank was one of the first financial enterprises to open up in Pudong, and was thereby also operating an "experimental plot" for changes and transformations.

During the somewhat over four years since its inception, the Pudong branch of the Industrial and Commercial Bank not only leapt to a foremost place in per capita profit contributions among all of the bank's branches, but its index of the three types of risks also showed up much better than the figure of nine other domestic commercial banks. Even more importantly, it has accumulated experience in matters of structural reform with regard to the transformation of special banks to commercial banks. For instance, its organizational setup was indeed patterned after the organizational pattern of commercial banks, as it adopted the principle of "integration of business operations with management." Several years practice has proven that this mechanism is

highly effective in actual operations. In the management of assets, we have explored ways to get out of the restrictive circle of relying on "margins" to earn profit, but have rather considered "opportunity cost" as a means to increase income in a "nonmargin" form, as, for instance, in international settlements, foreign exchange adjustments, etc. This has to some extent avoided the present contradiction between the central bank, which is imposing strict controls, and the commercial banks, which seek optimal profits from their funds.

Xu Kuangdi: Since liberation, Shanghai has gradually changed from a primarily financial and trading city into a manufacturing center. In the early years of the 1990's, Shanghai again set for itself the developmental strategy of the "three, two, one" order [tertiary, secondary, primary industries] and has placed the tertiary industries, such as finance, insurance, information, post and telecommunications, and foreign trade in first place. In the last few years, a marked change has occurred as the share of Shanghai's tertiary industries rose from 28 percent in 1989 to 38 percent in 1993 and reached 40 percent in 1994, a figure which comes close to the 50 percent demanded for cities that are internationalized and modernized financial centers. There has been a huge change in the city's functions.

"International financial center" is after all only a sweeping broad concept, and to actually realize this target we must impart to the concept some meaningful substance. What, then, is the correctly targeted and programed plan to reinstate Shanghai as another financial "Wall Street"?

Mao Yingliang: Because of its huge financial influence in the world, "Wall Street" in the U.S. city of New York has become a synonym for international financial center. The overall long-term objective of the "center" that Shanghai wishes to build up is to become an internationally recognized financial center in the manner of New York, London, and Tokyo. In other words, if that time comes, Shanghai's financial trade should have become completely linked up with world financial trade, forming a broad international network, participating fully in the international circulation of capital, taking a substantial share of the overall international market, and providing systematic and diverse financial services to customers all over the globe. In all major financial indices it will then also have caught up with, or come close to, such international financial centers of world rank as New York, London, and Tokyo.

Shanghai is presently still a great distance away from this ultimate objective. We cannot, therefore, expect to reach it in one move; the process must be one of gradual advances, requiring possibly about 20 years for its realization in stages. I shall now split this process into three stages.

First stage: Up to the end 1995, completing all infrastructure for the center. Key points during this stage shall be: active promotion of financial reform, accelerating growth of the financial market, speedy expansion and

intensification of monetary facilities, continued large-scale introduction of foreign financial institutions, standardization of the foreign exchange market, expansion of the scope and variety of items traded, and gradual establishment of a gold market and an offshore financial market.

Second stage: The period from 1996 to 2000 will be the time for completion of the center's framework, when a powerful, fully opened up, and multifunctional nationwide financial center shall have taken shape. The word "powerful" denotes the intention of having laid the foundation, by the end of this century, for Shanghai to become the country's largest financial trading center. The term "fully opened up" denotes the intention of having Shanghai initially assume the role of bridge and bond, linking the domestic economy with the entire world economy, and of devoting much energy to speeding up contacts with the international currency market, so that Shanghai may become an important world currency exchange. The term "multifunctional" denotes the intention of having Shanghai become the center where most of China's foreign trade banks will locate. It will then be the center for the concentration and dissemination of currency, capital, foreign exchange, gold, futures trading, and insurance business for the whole country. Its monetary facilities and linkup with the international market will provide in Shanghai a well-developed and highly efficient financial service system, that will be of top-rank in the country in the use of electronic equipment.

On the foundation of accomplishments during the second stage, Shanghai shall reach an even higher level in the financial world during the period from 2000 to 2010, having by then been essentially built up as an international financial center of substantial strength completely linked up with the international financial market.

Shanghai has advantages as well as disadvantages. Building up into an international financial center is not a simple process, but entails a change in concept concerning the entire organizational system, as it will also test the quality of Shanghai's entire population.

Zhong Minmin [6988 2404 2404], manager, Shanghai Branch, Citibank of the United States: I was transferred to Shanghai from my former post on Taiwan, and I have been in many places all over the world. I feel there is presently no place in the world which is viewed as more important than Shanghai by all international financiers; we have full confidence in Shanghai's future development. However, there is presently still a very wide disparity between Shanghai and other international financial centers, and future developments may therefore be beset with many difficulties. The disparity is most evident in three areas: Shanghai's insufficient infrastructure, the inadequacy of the legal framework, and the weakness in the training of professionally skilled personnel.

The inadequacy of the infrastructure can be deeply felt by everybody. Present working and living condition in

Shanghai cannot in the least compare with conditions abroad, but are even domestically at only a medium to low level. Traffic conditions in Shanghai are also very much a mess. People are tired out by wasting considerable time on the way to and from work.

The formulation of legal rules and regulations in Shanghai is lagging behind economic developments, and as a result of the lack of any legal basis, the importation of some new finance-related products into Shanghai is not possible.

The shortage of personnel skilled in handling international financial operations is an even more serious problem. What we as foreign banks feel as extremely vexing in Shanghai is the difficulty of recruiting middle-rank cadres of high professional standards, a fact which compels us to hire them from abroad at high salaries.

Xu Kuangdi: The critical point in reestablishing Shanghai as an international financial center, from the viewpoint of the government, is that it entails reshaping the whole image of the city. Shanghai will have to adopt a method of "working simultaneously on the software and the hardware" to support this great transformation. The "hardware" comprise construction of 57 large buildings, including financial houses, already rising straight up from the ground in the Lujiazui district of Pudong, to be ready for occupation before the end of 1996. These buildings will be of modern design, and in the high standards of their equipment as well as in being so conveniently located close together, they will compare favorably with Manhattan. Before that, relocation of over 100 banks to the Puxi waterfront has already been started. The municipal government, too, will in May of 1995 move out of the Hongkong and Shanghai Bank building. These buildings will in future be made available to Chinese and foreign financial institutions by leasing them in batches, by sale, or by assignment. A central commercial district will soon arise in equal splendor on both banks of the Huangpu River. Additional efforts will also be expended on the transformation and on the communication and traffic facilities of the old city of Shanghai.

As to the "software," Shanghai will in future speed up training of a large contingent of skilled personnel, who are to have basic knowledge of finance, know foreign languages, be able to use computers, and measure up to the requirements of an institution of international finance. We will study and speedily formulate local rules and regulations concerning financial matters, such as regulations governing the control of foreign-invested financial institutions. We will step up the self-regulation of the banking trade, and we will tighten the links between government and all Chinese and foreign financial institutions.

Mao Yingliang: In Shanghai's reestablishment as an international financial center, Shanghai's financial circles wish to accomplish several specific objectives at an accelerated pace:

First, introduction of more market mechanisms, development, and substantial expansion of the money market. The present securities market, foreign exchange and capital markets will be improved and perfected; money markets, such as the discount and open markets, will be developed; preparations will also started for a gold market, and an insurance market will be developed.

Second, we will continue to promote opening up to the outside world in matters of finance. While developing numerous domestic financial institutions, we will also allow foreign financial institutions to come in, and the scope in this respect will be further broadened to include banking, insurance, securities trading, and also intermediary organizations.

Third, we will continuously pursue new lines of financial business and draw lessons from successful foreign methods and experiences, integrating such with the realities of the situation, as, for instance, with regard to offshore financial trading, capital investments, etc.

Fourth, in their transformation into commercial banks, the state-owned banks will proceed more energetically and pursue new developments. All other commercial banks will progress at a faster pace in their commercial activities, according to the operational mechanism of international commerce.

Fifth, we will speed up training of skilled financial personnel. At present, Shanghai has only 50,000 persons engaged in finance; their number and their quality is by far inadequate. There is a particular shortage of senior executives and managers. The need is therefore urgent to train a contingent of high-grade financial personnel with knowledge of international finance, knowledge of foreign languages, and the ability to serve as executives and managers.

Moreover, there must be, as soon as possible, changes in the functions of the central bank. With the development of the financial market and the increase of financial institutions, it is becoming rapidly and increasingly important to strengthen the function of the central bank as an organ of macroeconomic regulation and control, and foreign-invested financial institutions too will be subject to strict supervision and control.

Foreign Trade & Investment

Wu Bangguo Meets With U.S. Computer Executive

OW2803133995 Beijing XINHUA in English 1327
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—China is striving to make use of more advanced foreign management practices and technology in its drive to set up modern business methods so as to upgrade its management techniques, Chinese Vice-Premier Wu Bangguo said today.

In a meeting here this afternoon with Terry Osborne, President of System Software Associates Co. (SSA) of the U.S., Wu, who assumed vice-premiership 10 days ago, said that setting up a modern enterprise system without scientific management is unthinkable.

He hopes that the U.S. company can further cooperate with China's larger and more viable enterprises.

Following the establishment of the system, Wu said, SSA, which already has 200-some clients in China, will certainly be able to expand operations here, and cooperation with Chinese companies will be even more fruitful.

He noted that one of the main features of China's socialist market economy is the strengthening of intellectual property rights protection.

This is necessity for China's economic development and scientific progress, Wu said, adding it is also conducive to conducting economic and technological cooperation with foreign countries.

During the meeting, Osborne said that SSA, as the world's biggest applied software company in the manufacturing sector, is willing to expand cooperation in the transformation of technology management of state-owned companies in China.

After taking office as president last year, he said, he had been concerned about China's market, but is very confident of the market since the U.S. and China entered into the agreement on intellectual property rights.

Beijing Foreign Trade Service Center To Open in '96

OW2903063195 Beijing XINHUA in English 0259
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Beijing will build and put into operation a modernized foreign trade service center earlier next year, according to the Municipal Committee of Foreign Trade and Economic Cooperation.

T.P., which stands for trade point, is a global trade network set up at the Eighth UN Trade and Development Conference in 1992. It is a non-profitable intermediate service organization using modern technology to simplify trading procedures, raise efficiency and lower costs.

The establishment of the T.P. center in Beijing is in accordance with China's demand for deepening the reform of the foreign trade system, changing government's functions and improving the social intermediate service system in the course of its transfer to a market economy, economists here said.

In recent years, Beijing's import and export trade has been developing rapidly. Last year, it reported four billion U.S. dollars worth of imports and exports, up by

31.9 percent. The number of import and export businesses has risen from over 30 a dozen years ago to more than 150, involving more than 600 factories and enterprises. More than 10,000 foreign-funded enterprises also engage in foreign trade business.

As many managers of the enterprises are not familiar with foreign trade, the T.P. center will arrange cooperation among the customs, commodities inspection departments, banks, insurance firms, international transport services, bodies for the promotion of foreign trade and chambers of commerce.

The satellite telecommunications network of the center will timely provide information service. Economists predict that it will markedly boost Beijing's foreign trade.

T.P. services will reach over 150 foreign trade enterprises of Beijing, 10,000 Beijing-based foreign-funded enterprises, chambers of commerce and other foreign trade organizations.

By the end of last year, 50 trade points have been set up in the world, 28 of which are already operational. In Asia, a Shanghai center went into operation last September, and Thailand has also built one. An additional 100 T.P. centers in the world are expected to be built by the end of this year.

Beijing Hosts Sino-French Pharmaceutical Conference

OW2803113695 Beijing XINHUA in English 0903
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—The Second Sino-French Pharmaceutical and Medical Conference opened here today.

The three-day conference is being jointly held by the Ministry of Public Health of China, the Pharmaceuticals Bureau of the Ministry of Public Health of France, the National Association of the Pharmaceuticals Industry of France and P.R. International of France. It is aimed to promote pharmaceutical and medical exchanges and cooperation between China and France, said a senior official from the Chinese ministry.

According to the official, the conference will discuss matters of interest to both sides such as legislation regarding medicines, management of registration, pharmaceuticals industries and the control over medicines.

French Ambassador to China Francois Marcel Plaisant, Chinese Minister of Public Health Chen Minzhang and some 400 other people attended the opening ceremony of the conference.

Patent Office Promises Improved Protection

HK2803112195 Beijing CHINA DAILY in English 28
Mar 95 p 5

[By Sun Hong: "Patent Protection To Improve"]

[FBIS Transcribed Text] China's chief patent officer said that noted improvements are expected in the country's statute laws and regulations, personnel and facilities concerning patent protection.

The revised Patent Law will go into effect before 2000, Gao Lulin, Director General of the Patent Office of China said yesterday.

"The new law will broaden the scope of patent protection to encompass all existing technical fields and take in any newly-developed industries," he said.

Gao's office is currently working on provisions concerning agricultural seeds and other new fields. The revision will be the second since China implemented its first Patent Law in 1985.

The first amendment, in 1993, extended patent protection to pharmaceutical and chemical products.

Aiming to strengthen patent offices' enforcement of laws and regulations, the Patent Office of China drafted the Administrative Implementation of Patent Laws and Regulations which has been put before the State Council for discussion.

After the document is passed, patent violators and holders of fake patents will face severer administrative penalties, and patent administrative bodies will have more power to investigate alleged patent infringements and seize related items.

The lack of qualified personnel enforcing patent-protection has hampered the development of patent protection, hence the Patent Office plans to set up an intellectual property protection training centre jointly with other government branches.

"The centre has already gained approval from the State Council," Gao said. "It is to be built in accordance with high international standards, with analogue courts and courses delivered in English."

The training centre is expected to open next year. It will provide courses on patents, trademarks, and copyrights to trainees, mainly directors and personnel of enterprises and research institutes in China.

Around 10 million yuan (\$1.2 million) will be injected into the project annually from this year.

The Patent Office is to invest around 200 to 300 million yuan (\$23.9-35.8 million) on the installation of laser fibers, computers, software, and other facilities necessary to "establish a world advanced electronic library on patents" in a few years, Gao said.

The "library" will be opened to the public when time is right, he added.

Meanwhile, efforts will be made to spread patent knowledge to upgrade people's patent awareness and enhance international cooperation in the field.

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The Patent Office of China joined the Patent Cooperation Treaty (PCT) last January and became one of the eight international searching authorities and preliminary examination authorities on patents in the world.

Last year, China received over 77,000 patent applications, making it the tenth largest recipient of patent applications in the world.

Offshore Oil Corporation Opens Jakarta Office

OW2803231695 Beijing XINHUA in English 1624
GMT 28 Mar 95

[FBIS Transcribed Text] Jakarta, March 28 (XINHUA)—The Representative Office of the China National Offshore Oil Corp. (CNOOC) is formally announced to be opened here today.

CNOOC bought 32.58 percent shares of US ARCO company's oil production sharing contract with Indonesia in Malacca Straits in January 1994 and was approved as a company by the Department of Mines and Energy of Indonesia at the end of last year.

This is the first CNOOC investment in foreign countries.

At the opening ceremony, CNOOC's General Director Wang Yan said that the representative office in Jakarta is to manage CNOOC's interests in Malacca Strait production sharing contract in Central Sumatra and look for new ventures and investment opportunities in Indonesia.

CNOOC Pumps Overseas Crude Oil for Domestic Customers

OW2903024495 Beijing XINHUA in English 0125
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—The China National Offshore Oil Corporation (CNOOC) has, for the first time, started selling crude oil from its first overseas oilfield, to domestic customers, according to corporation officials.

The first shipload of crude from the Malacca oil block in Indonesia arrived at the port of Nanjing in China's eastern province of Jiangsu Monday afternoon, CNOOC announced today.

The corporation said that the Chinese tanker "Danchi" was carrying 216,885 barrels (nearly 30,000 tons) of crude, from the Malacca block, in which CNOOC has a 32.58 percent interest.

CNOOC acquired the share from the ARCO International Corporation last year, joining a shareholding group that consists of Lasmo Oil Corp. of Britain, Nippon Oil Corp. of Japan, ORYX Oil Corp. and Kondur Oil Corp. of the U.S.

Lasmo Oil Corp. is acting as the operator of this block, said a CNOOC official.

The official said that CNOOC's part in oil development in the block has set its overseas expansion strategy into motion. The corporation hopes to make "flexible" use of both the domestic and foreign markets as well as other resources to turn itself into an oil giant.

China's rapidly developing economy, especially its booming car industry, has given rise to an almost insatiable demand for oil products. China has an annual crude production of 140 million tons.

Guangzhou Seeks To Diversify Foreign Capital Sources

HK2903073595 Beijing ZHONGGUO XINWEN SHE
in English 1239 GMT 28 Mar 95

[FBIS Transcribed Text] Guangzhou, March 28 (CNS)—To attract foreign capital, Guangzhou should speed up the structure shift from unitary to diversified, to realize a strategic increase in utilizing foreign capital, said Li Ziliu, Mayor of Guangzhou City at a meeting on expanding Guangzhou's opening, which ended today.

When talking about Guangzhou's problems in utilizing foreign capital, Li said most foreigners invest in small-scale ordinary processed items with a low technological content. Second, over 80 percent of foreign investment comes from Hong Kong and Macao, with only a few from developed countries, international consortia and multinational companies. Third, the tertiary industry which has a limited level of opening, has attracted a low foreign capital inflow. Lastly, the effect of attracting high-level and good quality foreign capital through investment environment is not obvious.

Li stated that this year the focal point of Guangzhou in utilizing foreign capital should shift to lure foreign consortia, multinational companies and overseas funds. The main focus to attract foreign capital inflow should be changed from relying on regional advantages to project advantages. In the meantime, of the expanding investment from Taiwan, Hong Kong and Macao, Guangzhou should absorb capital of advanced nations and regions like Europe and America. Moreover, the city should raise funds through foreign-funded enterprises in Guangzhou.

According to Li, based on the need of an international market, Guangzhou should improve the structure of export commodities, especially in developing exports of high technological content such as machinery and electrical products, and complete sets of equipment. Meanwhile, the city should explore a diversified international market.

Guangzhou Hosts International Property Rights Fair

OW2903024395 Beijing XINHUA in English 0203
GMT 29 Mar 95

[FBIS Transcribed Text] Guangzhou, March 29 (XINHUA)—Guangzhou, capital of south China's booming

Guangdong Province, will hold its first international fair on the transfer of enterprise proper rights between October 8-12.

About 100 overseas firms and 200 domestic enterprises are expected to attend the fair which will be jointly organized by the Guangzhou City Government and two local companies.

The organizing committee has received applications from 50 enterprises in east, south and southwest China and 20 foreign companies including the S.C. Johnson and Son, Citibank and Dow Jones Company Inc.

It is reported that some Chinese participants will sell property rights to domestic and overseas firms. Others welcome foreign companies to buy their shares. A group of financial, legal, information consultancy and property assessment companies will help with making deals.

Seminars to introduce the performance of Chinese enterprises, development of China's property rights market and related government policies and regulations will be held during the fair. Foreign companies will also be invited for spot investigation.

World Bank Finances Zhejiang Power Project

OW2803124495 Beijing XINHUA in English 1150 GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—The World Bank has decided to provide a 150-million-US dollars term-loan facility under its guarantee program for the power development project in East China's Zhejiang province.

An agreement to the effect was signed here today. Attending the signing ceremony were Minister of finance Liu Zhongli, Minister of Power Industry Shi Dazhen, Governor of Development Bank Yao Zhenyan, and Zhejiang provincial governor Wan Xueyuan.

The whole Project involves adding new generating sets to Beicanggang Thermal Power Plant, facilitating new high-voltage transmitting line and renovating the power networks in Hangzhou and Ningbo cities.

Of the total investment of 15.3 billion Chinese Yuan, some 550 million US dollars have come from overseas including the latest financing of 150 million. The World Bank already agreed to provide 400 million US dollars for the project last month.

After the completion of the whole project in the year of 2001, the Beicanggang Power Plant will be China's largest thermal power plant.

Ministry Invites Joint Chemical Ventures

HK2803150495 Beijing ZHONGGUO XINWEN SHE in English 1212 GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (CNS)—The Ministry of Chemical Industry has recently formulated

"Suggestions Concerning the Running of Foreign-Funded Chemical Industry Enterprises", encouraging foreign businessmen to invest in mining, chemical fertilizers, agricultural chemicals, materials for organic chemistry, inorganic salts, synthetic materials, fine chemicals, rubber processing, equipment for chemical industry, and so on.

According to the official document, awards will be given to foreign businessmen and their Chinese partners (chemical industrial enterprises or research institutes) for their technological achievements made through cooperation, which are of world advanced level, or have filled the gap of products in China. The intellectual property rights of these achievements will be protected according to laws. Sino-foreign joint ventures and co-operative enterprises specializing in production of new and hi-tech projects will enjoy preferential treatments in terms of approval and capital. Those enterprises, which are not in line with the State industrial policy, or if products are backward in technology and of high energy consumption, produce serious pollution, should be strictly banned. Waste gas and water and industrial residue produced by Sino-foreign joint ventures or co-operation enterprises engaging in production of agricultural chemicals, pigment, dyestuff and so on, must be in conformity with Chinese environmental protection standards. Joint ventures of this kind are banned to produce chemical weapons and chemical products for military use.

Nation To Import Fewer 'Luxurious' Cars

OW2803122595 Beijing XINHUA in English 0919 GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—China will import less luxurious cars but more vehicles of medium-sized and small displacement in 1995, according to an industrial source.

Meanwhile, the total imports of China's motor vehicles in the year will remain at the 1994 level, said Chen Ping, deputy general manager of the China Trading Center for Imported Vehicles.

Customs statistics show that China imported 281,421 motor vehicles and chassis in 1994, including 34,638 cars, down 9.2 percent and 51.3 percent, respectively, from its previous year's figure.

Chen's forecast is based on the projected fast economic growth of the country in at least the first half of 1995.

The country's new demand for motor vehicles in 1995 will come mainly from taxi companies, township enterprises and the private sector, Chen said.

Hong Kong's Role in Growing Foreign Sector Viewed

HK2903102695 Hong Kong TA KUNG PAO in Chinese 21 Mar 95 p b3

["Foreign Investment in China Jumps to Over 220,000 Projects by the End of 1994"]

[FBIS Translated Text] The "Fourth China Foreign-Invested Enterprise Export Trade Fair" organized jointly by the Chinese Association of Foreign-Invested Enterprises and the Hong Kong Trade Development Council (TDC) is scheduled to be held in Guangzhou from 16 to 29 April to coincide with the Chinese Spring Commodity Trade Fair. The TDC expects that the trade fair will promote cooperation and exchanges between Hong Kong businesses with foreign-invested enterprises in China and mainland enterprises in a joint effort to expand overseas markets.

In a news conference held here yesterday, Liu Yimin, president of the Chinese Association of Foreign-Invested Enterprises, said that foreign-invested enterprises in China have developed rapidly in recent years. According to statistics, in 1994 there were more than 220,000 projects involving direct foreign investment, over 100,000 of which have opened for business, representing \$95.5 billion in foreign capital actually invested in the projects.

Regarding imports and exports, Liu Yimin said: In 1994, the total import and export volume of foreign-invested enterprises amounted to \$87.6 billion, accounting for 37 percent of China's total import and export volume, three percentage points higher than the 34.3 percent in 1993. Of this total amount, exports amounted to \$34.7 billion and imports \$52.9 billion. The last three foreign-invested enterprise export trade fairs secured \$820 million worth of contracts.

Asked about the arbitrary fees charged by foreign-invested enterprises, Liu Yimin admitted that they do exist but said that the central authorities resolutely resist this and firmly protect intellectual property rights. He stated that the association has handled such cases since it was established.

Wang Lin-i, TDC vice president, also stated at the news conference that investment by Hong Kong businesses have been increasing in recent years, on an ever larger scale and in a wider range, and are progressing from intermediate- and small-sized industrial processing projects to large-scale hi-tech ones. Hong Kong businesses have brought capital, advanced management and technology, and distribution networks to the mainland, raising the standard of commodities and their competitiveness and making commodities adapt to international markets. As a result, exporting to overseas markets is a favored target. At present, Hong Kong is the largest source of foreign investment in the mainland, accounting for about 60 percent of total foreign investment received by China. There are over 110,000 Hong Kong-invested enterprises in mainland, about two-thirds of all foreign-invested enterprises in China.

***Hong Kong Journal on Possible PRC-U.S. Trade War**

95CE0286A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 4, 16 Jan 95
pp 3-5

[Article by Dong Wen (5516 2429): "Will PRC-U.S. Trade War Break Out?"]

[FBIS Translated Excerpt] Trade War Brewing Between China and United States

Right now, the question of whether or not a trade war will break out between China and the United States has become a focal point which attracts people's attention in the world. There are all kinds of predictions in Hong Kong, a major trading partner to both mainland China and the United States. Since the beginning of this year when the Hong Kong stock market opened its quotations, the Hang Seng Index sharply dropped more than 4 percent or 300 points. Naturally there are reasons for this, such as the psychological effect from the expected rising interest rates and some rumors about China's economy, but the trade war which may break out at any moment was also one of the major factors.

The Sino-U.S. trade talks on the protection of intellectual property rights began on 16 December 1994. After three days, Charlene Barshefsky, U.S. deputy trade representative, abruptly left the negotiation table. That resulted in the breakdown of the negotiations. On the new year eve, the U.S. Trade Representatives Office announced that in accordance with Section 301 of the U.S. Omnibus Trade Act, the United States will take retaliatory action and raise to 100 percent tariffs on imported products from China such as electronics, footwear, toys, and suitcases, involving \$2.8 billion worth of goods exported to the United States if the current situation was not improved within 30 days of the announcement.

Only several hours after the U.S. announcement on the possible sanctions, the Chinese Ministry of Foreign Trade and Economic Cooperation also made the due response. It announced details of China's retaliation against the United States. The following seven-point measure will take effect upon implementation by the United States of its punitive tariffs on imports from China:

- A 100 percent increase in tariffs on imported game machines, cassette tapes, compact discs, cigarettes, alcoholic beverages, and cosmetics from the United States;
- A suspension of imported films, television programs, video tapes, and laser discs from the United States;
- Suspending trade and cooperative ties with the U.S. International Federation of Phonographic Industry, the International Intellectual Property Alliance, and the Business Software Alliance;
- Suspending approval of applications of U.S. audiovisual manufacturers to set up branches or representative offices in China;
- Suspending the handling of applications of U.S. chemical and pharmaceutical manufacturers;
- Suspending any on-going negotiations with American companies on the establishment of large joint-venture automobile projects in China;

—Suspending approval of applications of U.S. companies and their subsidiaries to set up investment offices.

We can see that with the exception of the first point, China still leaves an appropriate margin and does more for defense than attack. Some critics say that the United States has always done whatever it has openly announced. It will very seldom make any empty talk. However, history shows that China also makes no empty talk. However, China devotes particular care to the art of struggle to insure justice while gaining advantage.

There is still some time before the deadline when trade sanctions are officially imposed. Can the two sides engage in diplomatic negotiations and turn hostility into friendship? To a certain extent, it depends on how the United States weighs its gains or losses in this trade war. [passage omitted]

This Trade Dispute Is a Continuation of GATT Re-entry Issue

Actually, facts are quite clear.

China must earnestly solve the problem of protecting intellectual property rights and really do something about this. Particularly in some major districts, it must strengthen supervision and enforce the law. Meanwhile the United States must adopt a realistic approach. Thus we must carefully examine the root cause of this issue.

To a certain extent, the current trade war brewing between China and the United States is a continuation of the dispute caused by the U.S. attempt to prevent China from re-entering GATT as a signatory nation. Here is the major problem. The United States, which regards China as a developed nation, insists that China re-enter GATT as such and that it must adopt measures to protect U.S. intellectual property rights. However, China regards itself as a developing nation.

Since China began implementing its reform and opening-up policy, it has made substantial advances in the economic field. However, it remains a developing nation as far as its per-capita GNP and GDP are concerned. It will remain a developing nation at least for the next dozens of years. Therefore, China has always sought to re-enter GATT as a developing nation since it had put forward the re-entry issue in 1986.

Nevertheless, at the meeting of the GATT Chinese Working Group, the United States believed that on the basis of China's population, rapid economic growth, and power in international trade, China should re-enter GATT as a new industrializing country or even a developed nation.

The U.S. proposal that China re-enter GATT as a new industrializing country or even a developed nation is aimed at preventing China from enjoying the series of GATT preferential treatments given to developing countries. One of the treatments which affects the interests of both China and the United States is the generalized

system of preferences [GSP]. Since 1979, more than 20 developed nations, including Japan, Canada and the EC, have listed China as a developing nation and given Chinese products preferential treatment under the generalized system of preferences. This has greatly helped China promote its foreign trade.

Right now, China attaches great importance to developing an export-oriented economy. If it re-joins GATT as a developing nation, it will receive preferential treatment under the generalized system of preferences. Meanwhile, all other signatory nations will also give China most-favored-nation [MFN] treatment. It means that China's exports will enjoy preferential treatment under the generalized system of preferences in most of markets, including its largest export market in the United States.

On the contrary, if China loses its status of a developing nation when it re-enters GATT, it will not only lose the various preferential conditions given by GATT to developing nations, but also assume all the obligations that GATT imposes on all developed nations—something which China is unable to bear. Therefore, it is impossible for China to accept these terms.

As a matter of fact, do new industrializing countries or developed nations have many objective standards to generalize a conclusion? Apparently it is difficult to draw a correct conclusion on this. Nor can these standards solve any problem.

Other U.S. Reasons for Its Actions

In accordance with the Sino-U.S. bilateral trade agreement in 1979, the United States has granted China MFN status, but it did not give China preferential treatment under the generalized system of preferences. The reason is that some U.S. industrial groups were worried that some sensitive Chinese industrial products would affect the U.S. market to a certain extent.

Right now, about 40 percent of China's exports to the United States have created a trade surplus of \$2.1 billion in favor of China. This trade situation is quite favorable to China. If China is given preferential treatment just like any developing nation, apparently the United States fears that China would follow Japan in becoming a strong competitor and pose a threat to the United States. As a result, although China had made repeated concessions in the GATT re-entry negotiations, which have lasted as long as eight years, the United States reaches for a mile after taking an inch, persistently demanding a higher price at all times and constantly putting forward new demands. The trade surplus is a rather complicated issue. It is entirely possible to resolve this issue through consultations. However, it is abnormal to stubbornly define a developing nation as a developed nation. The United States has also put forward another suggestion. That is to crack down on imitation brand goods and let authentic U.S. merchandise freely enter the Chinese market. U.S. films and computer software play a leading role in the world. The number of patents held

by the United States ranks first in the world. If products with U.S. intellectual property rights can enter the world's biggest potential market, there will be huge business potential for U.S. enterprises and more jobs for Americans.

This suggestion is another U.S. tactics to use the intellectual property rights issue to enter the Chinese market.

Possibility in Settling Differences Through Realistic Negotiations

During negotiation, the U.S. representative set a deadline and asked the Chinese government to change and enforce its laws and to regularly report the actions taken. China refuses to accept this. In reality, sincere suggestions from foreign governments and public figures on how to improve China's system in dealing with intellectual property rights and how to enforce laws should be welcome. However, all in all, how to enact and enforce the law is China's own affairs. China can only adopt what is reasonable and realistic. Section 301 of the Omnibus Trade Act is, after all, a U.S. domestic act, not an international law. It will be resisted and condemned if it is used indiscriminately in handling international disputes. Many Asian nations and areas, including developed nations and new industrializing countries, have had such an experience. There has been much friction. On the other hand, the U.S. losses on copyrights is only \$800 million each year even according to the unilateral estimate made by the United States. However, the announced sanction list is rather extensive, with a total value of US\$22.8 billion. This is certainly an exorbitant price. Just as was mentioned before, these U.S. demands have gone far beyond the range of intellectual property rights. The United States has kept threatening China with trade retaliation and the possible impact on China's re-entry into GATT. It is difficult to consider this approach as realistic.

In order to force China to make its largest concession, the United States naturally will not adopt a soft attitude. Actually, this is a customary tactic used by the United States at the negotiation table in doing foreign trade. When the United States held negotiations with China on intellectual property rights at the end of 1991, it set a deadline for the negotiations and used the tactic of showing a list of goods for retaliation. When the United States negotiated with Japan on opening the Japanese market and with the EEC on agricultural subsidies, it also used the same tactic. In these negotiations, agreements were finally reached. It shows that in carrying out concrete negotiations, the United States still has to be reasonable and realistic. Trade sanctions are mainly used as threats. Once a trade war breaks out, China's exports will naturally be greatly affected, but U.S. trade with and investments in China will also suffer. As a result, this will only help other Western developed nations to seize this opportunity to enter the Chinese market.

China's total volume of foreign trade in 1994 is expected to break the \$230 billion mark, ranking 11th in the

world. Its 1.2 billion population is an extremely attractive potential market. Naturally the United States seeks to enter the Chinese market to make more profits. Right now, China has become the most rapidly growing market for U.S. exports. Dozens of U.S. multi-national corporations are vying with one another to make a bid for immense infrastructural projects in the field of energy, transportation and telecommunication that will be authorized by Beijing in the next several years. Therefore, the likelihood of a breakup at the negotiation table on 18 February is small. On the contrary, there is a greater possibility that the United States may enter into agreement by allowing China to have a kind of transitional period to take corrective measures prior to the outbreak of a trade war.

We estimate that China will also compromise considerably. For example, it may carry out activities of an exemplary nature throughout the nation to crack down on pirated goods. It will also import U.S. goods even more energetically to reduce the huge \$23 billion U.S. trade deficit with China each year. Lately China has already imported a large amount of wheat from the United States. The United States still has an opportunity to extricate itself from an awkward position. One can hardly believe that the United States will be unable to push the boat with the current and rationally handle the problem to avert a situation in which both sides would become losers and Sino-U.S. relations would be affected.

Agriculture

Jiang Zemin Inspects Jiangxi, Hunan Provinces
OW2803154995 Beijing XINHUA in English 1537
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Chinese President Jiang Zemin today stressed the fact that sufficient food and clothing for the 1.2 billion people is always the most important issue facing China.

Jiang, also general secretary of the Central Committee of the Chinese Communist Party, made the remark at the end of his ten-day inspection tour of Jiangxi and Hunan Provinces, two of China's major grain and cotton producers.

"It should be noted that despite the difficulties China faces in developing its agriculture, the future is bright," he said, adding that in tackling the food issue, China has to rely on its own efforts.

He reaffirmed the statement that the government has the ability to provide the large population with adequate food and clothing and to help the people become prosperous.

During his five-day stay in Jiangxi, Jiang visited rural areas and had friendly talks with farmers in order to find

out what farmers are thinking and doing now. He also had many discussions with local officials and technical personnel.

After visiting a cotton producing village, Jiang said that a fundamental way out of its difficulties in the development of China's agriculture is to introduce scientific farming methods.

In Hunan, the president climbed a mountain in Taoyuan County in the rain to assess the use of wasteland. He said that he was pleased with the afforestation and sideline production of the county.

Listening to reports by local officials, Jiang discussed a range of major issues concerning the current agricultural production and the development of rural areas.

He noted that it is difficult for China to develop its agriculture because of the growing population and the decrease in arable land each year. Improvements in living standards and the fast economic growth have caused increased demands for grain.

It should be noted, on the other hand, that China has great potential for developing its agriculture, which can be found in the initiative and creativity of farmers, in advanced agricultural technology, and in comprehensive agricultural development and management, he explained.

"Officials at all levels should not be pessimistic," he said, adding that efforts should be made to make full use of the abilities of the masses of people.

In referring to the matter of farmers and rural work, Jiang said that it is essential to fully trust and rely on them while paying closer attention to the education of farmers.

Currently, efforts should focus on educating people in patriotism, collectivism, the theory of building socialism with Chinese characteristics, and a basic knowledge concerning materialism.

Emphasis should be placed on imbuing people with the spirit of hard work, being industrious and thrifty in building the country, and in managing a household, he stressed.

In referring to the role of various interests, Jiang said that one's personal interest must be subordinated to the country's interests, the local to the whole, and the current to the long-term.

Vice Premier Jiang Chunyun Inspects Shanxi Province

HK2903074095 Beijing XINHUA Domestic Service in Chinese 0837 GMT 27 Mar 95

[By XINHUA reporter Shan Baohong (6781 1405 4767) and SHANXI RIBAO reporter Li Wei (2621 0251):

"Vice Premier Jiang Chunyun Inspects Shanxi 22-26 March, Stresses Need To Protect Spring and Summer Crops"]

[FBIS Translated Text] Taiyuan, 27 Mar (XINHUA)—Jiang Chunyun, member of both the CPC Political Bureau and Secretariat and Vice Premier of the State Council, stressed the importance of making an accurate estimate of this year's agricultural production situation during a recent inspection visit to Shanxi. He said that it is necessary to see the advantageous factors as well as the difficulties and problems, and that one should avoid being blindly optimistic. Jiang said: We must be prepared to fight natural disasters to achieve a good harvest, and we must make great efforts to fight drought so that the sowing and growing of summer crops can be protected, good harvests for the whole year can be achieved, and the target of increasing yields and production can be realized.

Between 22 and 26 March, accompanied by Shanxi Provincial Party Secretary Hu Fuguo, Shanxi Governor Sun Wensheng, Vice Governors Wang Wenxue and Du Wuan respectively, Jiang Chunyun toured Jinzhong, Linfen, Yuncheng, Zhangzhi and Taiyuan to view the agricultural and rural work situation. He went down to the fields, visited peasants' homes, toured agricultural produce markets, and visited village and township enterprises. Jiang held seminars with peasants, saw the situation for himself, listened to the views expressed, and discussed the strategy for ensuring good harvests with the peasants. On the wheat field of Shidian Village in Linfen district, Jiang Chunyun knelt on the ground to carefully inspect how the wheat seedlings were growing. Zhao Zhiyu, an old fellow who owns the field, told him that the water-conserving measure of using pipes for irrigation not only saved electricity, water and costs, it was also high yielding and efficient. Zhao said his family had become rich by growing grain. After listening to him, Jiang said happily that the shortage of water resources is a major constraint in the development of our country, especially in the north, so water-conserving technology should be widely promoted, and using pipes for irrigation is one good method. In Liu Village in Jishan County, Jiang Chunyun talked warmly with cotton farmers in the drizzling rain. The farmers told Jiang that, due to the supportive measures adopted by the various levels of government, farmers have been active in growing cotton, and that this year the village has planted 1,300 mu of cotton in total, which means one mu per person. Jiang responded by telling the farmers about the state's cotton policy and encouraged them to grow more and better quality cotton to contribute more to the country. When Jiang Chunyun arrived, in the snow, at the home of national model worker Shen Jilan in Xigou Village in Pingshun County, Shen held his hand and said emotionally, "The central government's policy of placing importance on agriculture is welcomed by us from the heart!" In Xigou Village, Jiang Chunyun held seminars with county and village cadres as well as residents' representatives and listened to the views of the

grassroots. He said that the party leadership and the State Council will further strengthen measures to aid the poor and help people living in the old revolutionary bases, border regions and poor areas as well as ethnic minorities to quickly get out of poverty and become rich as soon as possible. When Jiang heard old Communist Party member Wang Juzhe say that in some areas there is farmland "lying in waste," he said to the provincial and municipal cadres present: "We must get rid of this phenomenon with determination; we must take care of all our fields and ensure that grain production will increase steadily."

After listening to the briefing by party and government members of Shanxi, Jiang Chunyun fully affirmed the performance of the province. He said that the various levels of party and government of Shanxi have placed great importance on agriculture; they have many valuable experiences in water conservancy projects, small river basin management, greening of barren hills, the promotion of agricultural technology and comprehensive agricultural development. He noted that Shanxi Province has been thorough in implementing the spirit of the central government's rural work conference and has been quick to take action and adopt the right measures, resulting in an encouraging situation with regard to spring planting and production.

During his tour, Jiang Chunyun expressed some of his views on how to carry through the spirit of the central government's rural work conference and how to achieve good harvests this year and promote the overall development of the rural economy. First, he said, one must fully understand the importance and difficulty of achieving good harvests this year and must focus on combating disaster. At present, some areas in the north and parts of the south are suffering from serious drought, so it is necessary to concentrate efforts on fighting drought and win in the battle of sowing seeds in the spring and managing the crops in the summer so as to lay a good foundation for achieving good harvests during the year. He said: In the long term, in order to solve the water shortage problem in the north, one must implement water conservancy projects persistently and must actively carry out works to store, channel, protect and conserve water. Also, one must develop the planting of organic dry crops. In this respect, Jiang said, Shanxi has some successful experiences that one can learn from and promote. Second, one should make use of the geographical situation and exploit its advantages to find a way of making grain and cotton production increase steadily and enable the rural economy to fully develop. Based on the reality of Shanxi, several industries are favorable and should be the focus for development. First, the advantage of abundant arable land should be exploited; the food industry should be greatly developed; and unit production and total production should both be increased. Second, the advantage of abundant wasteland on barren hills should be exploited to actively develop the orchard industry. Third, the advantage of having abundant grass for grazing should be exploited to

actively develop animal husbandry. On this basis, village and township enterprises based on agricultural produce, minerals processing, and transporting for sale should be actively developed and organically integrated with cultivation, breeding, and the relevant secondary and tertiary industries, so as to greatly raise efficiency and speed up the transformation from traditional to modern agriculture. Third, one should make full use of technology to upgrade agriculture and continually increase the role played by technology in increasing agricultural production. Advanced agricultural technology should be vigorously promoted; priority should be given to the breeding, production and promotion of superior species; and a strong seed-breeding and supply system integrated with scientific research units, experimental bases, species production plants and promotion networks should be set up. At the same time, advanced cultivation techniques and technologies which increase cost-effectiveness should be actively promoted, and the quality of crops should be successfully improved. The role played by agricultural technology should be increased, and the agricultural scientific team should be encouraged to stay on their jobs through fully exploiting their incentive and creativity. Scientific and technical knowledge must be vigorously promoted so as to raise the scientific awareness of the peasants at large. Four, reform and opening up must be deepened and widened to breathe new life into agriculture and the rural economy. Through deepening reform, one can further raise the peasants' incentive for production. One should vigorously promote the integration of agriculture, industry, and business into the same enterprise and create a good system of social services. One must further open up both domestically and to the outside world in order to attract funds, technology, and advanced management skills. One must further liberate one's thinking, be realistic, and actively explore ways and means of quickening agricultural and rural economic development in the socialist market economy. Fifth, one should build up grass-roots organizations in the villages and enable the two civilizations to take root there. Finally, Jiang Chunyun asked the areas to quickly organize cadres to penetrate into the front line of production in the spring planting to publicize the policy of the party and state to strengthen agriculture, inspire the peasants, help them solve the concrete problems they face, and complete the various tasks connected with spring planting and production on time.

The CPC Central Committee members and heads of the relevant departments under the State Council who accompanied Jiang Chunyun on this tour included Dun Yingbi, Li Yanling, Liu Chengguo, Zhou Wenzhi and Yang Yongzhe.

Public Health Minister Promises Rural Area Clean Up

HK2803111995 Beijing CHINA DAILY in English 28 Mar 95 p 2

[By Liu Yinglang: "Minister Vows To Clean Up Rural Areas"]

[FBIS Transcribed Text] Clean water and sanitary conditions improvement for China's 900 million farmers will be the emphasis of a push by the National Patriotic Public Health Campaign Commission in 1995.

Public Health Minister Chen Minzhang disclosed this in his work report at the commission's 11th plenary session yesterday.

Also the vice director of the commission, Chen revealed that the third nationwide examination and evaluation of the sanitary conditions in China's cities will also be carried out this year and the commission will act to wipe out rats, flies, roaches, and mosquitoes.

In rural areas, economic development and efforts to improve living standards cannot be separated from public sanitation, according to Chen.

He said that the funds for improving water supply and lavatories will come from both government and local private sources.

By the end of 1994, 650,000 waterworks had been built across the nation's rural areas and over 40 percent of the rural residents now have tap water.

With loans from the World Bank, a five-year project for improving water supply and sanitation in China's countryside was started two years ago and has built 9,846 toilets.

Last year, the first nationwide survey was conducted on sanitary conditions in 780,000 rural households in 29 provinces and regions, to provide data for later work.

The investigations show only 9.7 percent of public toilets in the countryside meet standards of sanitation.

A sample investigation was carried out last year in Jilin and Hubei Provinces on farmers' ability to pay for the sanitary improvement. With approximately 3,000 rural households surveyed in each province, 65 and 53 percent respectively were found to have the ability to pay, and 85 and 70 percent expressed a strong desire for such a project.

Guangdong Mandates Increased Agricultural Production

OW2903080195 Beijing XINHUA in English 0734 GMT 29 Mar 95

[FBIS Transcribed Text] Guangzhou, March 29 (XINHUA)—South China's Guangdong Province has decided to invest more in agriculture this year in a bid to spur its economic growth, according to local officials.

The provincial government has mandated administrations at all levels to spend at least 12 percent of their financial revenues on agricultural development from 1995.

A provincial government official said that the funds for agricultural research, the spreading of new agrotechniques and technical training must account for one third of appropriations for agriculture.

The Guangdong Province branches of the Agricultural Bank of China will extend three billion yuan in loans annually to export-oriented and efficient farm production centers and major farms.

During the 1995-1999 period the provincial government will earmark 74 million yuan to aid mountainous areas in expanding production of local products.

The official said that, so far this year, local administrations have poured a total of five billion yuan into the construction of water-control facilities.

The official also cited other measures to be taken to promote agricultural production in Guangdong:

- Growing grain on 1.44 million ha this spring, 26,700 hectares more than in 1994;
- Building a number of modern non-staple food and farm product processing centers in the Pearl River Delta, one of the richest areas in China;
- Promoting the output of fruit, vegetables and aquatic products in the Chaoshan Plain;
- Expanding areas planted to sugar cane, peanuts, tobacco and tea in mountainous areas in northern Guangdong; and
- Stepping up the production of tropical and subtropical cash crops, livestock breeding and forestry in southwestern Guangdong.

Rules Proposed for Managing Public Land Reserves

HK2803104495 Beijing CHINA DAILY in English 28 Mar 95 p 1

[By Liu Weiling: "Free Use of State Reserves To Halt"]

[FBIS Transcribed Text] The government plans to introduce a new market-oriented system to better preserve the country's natural resources and control their random exploitation.

Based on paid use and development of all public-owned resources, the new system will replace a decades-old routine, which allows the first occupant to freely utilize the occupied land or underground resources, according to Pan Yue, deputy director of the State Administration for State-owned Property.

Such a reform is necessary because the old system, under which resources are freely occupied, developed, and used by departments, units, and even individuals, has resulted in a squandering of state assets as well as inefficient utilization of resources, Pan said yesterday.

"Reform of the old system is the basic way for China to get out of its increasingly severe resources shortage, which is to become the major hurdle hindering China's development in the next century," Pan told a national working conference opening yesterday in Beijing.

Indiscriminate use of resources is blamed for both the low production efficiency and the high consumption of energy, he said.

Short-sighted enterprises, paying little attention to conservation of natural resources, usually over-exploit ground reserves.

Such over-exploitation reduced China's arable land by 400,000 hectares in 1993. More than 660,000 hectares of grassland reverts to desert every year.

In addition, more than 100,000 illegal gold miners are panning in hundreds of areas across the country. They cause the country to lose more than three tons of gold every year.

More than 70 percent of the country's 9,000 state-run large and medium-sized mining enterprises are wrangling with each other over property rights.

Many of them together often rush to any lucrative mining site to exploit the resources there as quickly as possible, without any regard to the protection of the natural resources or the environment. "Only when the development, transfer, and utilization of natural resources are brought under the regulation of a market-oriented system, can the resources be developed more economically and efficiently," he said.

Pan roughly estimated the value of the country's natural resources at 128 trillion yuan (\$15 trillion), far outstripping the country's total productive and nonproductive assets of 3.5 trillion yuan (\$416 billion).

Under the new system, property rights for the resources will be clarified and registered. A pricing system will be established for development and use of such resources as land marine resources, forest, coal, gold, and other minerals, according to Chen Yongshen, director of the administration's administrative and utility property and natural resources department.

Special Relief Fund To Help Natural Disaster Victims

HK2803104595 Beijing CHINA DAILY in English 28 Mar 95 p 1

[By Liang Chao: "Victims of Famine, Flood To Get Relief Aid"]

[FBIS Transcribed Text] The central government has designated a record 600 million yuan (\$71.4 million) as a special relief fund to help millions of rural people wade through difficulties resulting from last year's natural disasters and this year's soaring grain prices.

Officials for the Ministry of Civil Affairs said that the amount for the fund, up 30 percent from that of the previous years, was expected to ease people's temporary shortage of food over the next three or four months, while new crops are still in the ground and last year's crop has been consumed.

Though the relief money can hardly satisfy all the needs of these people, the officials said, it would, however, help tide them over the lean season—roughly from February to June, when the summer harvest begins.

The relief money will ensure a daily grain ration of 500 grams for the needy and the local governments are expected to provide for the rest.

Though the ministry official declined to reveal the exact number of people facing a food shortage, he admitted that the famine has been particularly serious in the provinces of Henan, Sichuan, Shaanxi, Yunnan, Guizhou and the Guangxi Zhuang Autonomous Region.

State leaders have expressed their concern and have urged authorities at all level to try their best to avoid loss of lives or a possible exodus of refugees from the disaster-hit areas.

New Office To Emphasize Reform of Rural Firms

HK2803104795 Beijing CHINA DAILY in English 28 Mar 95 p 2

[By Ma Zhiping: "Rural Firms on Reform To Meet Farm Needs"]

[FBIS Transcribed Text] Reform of supply and marketing cooperatives in rural China is being emphasized this year to make them more oriented to the needs of farmers and the development of the rural economy.

The state is preparing a new national office directly under the State Council to open in May to promote reform and prioritize the nation's agricultural development, according to sources with the organizing committee headed by State Councilor Chen Junsheng.

The state recently decided to further deepen reform of the supply and marketing cooperatives. They boast 160 million household members in, rural areas.

The decision noted that reform will be of profound significance in helping to strengthen agriculture, improving the socialized and comprehensive rural service system, promoting both the rural and urban economies, and improving the relationship between the party, the central government, and the 900 million rural population.

Introduced to rural areas four decades ago, supply and marketing cooperatives now have 32,000 basic units at the grass-roots level and 33,000 specialized cooperatives and associations employing a total of 5.8 million working staff, according to official statistics.

Over the past 40 years, cooperatives accumulated 70 billion yuan (\$8.3 billion) in capital. Last year, business volume totalled about 900 billion yuan (\$107 billion).

"However, we should say that in recent years, the cooperatives in some areas have failed to bring their roles of serving agriculture and farmers into full play due to system problems and for other reasons," said an official with the organizing committee.

"This situation must be changed through further reform," officials and experts on cooperatives noted.

It must be understood that cooperatives are collectively-owned and all members have the right to enjoy relevant property, interests, responsibilities, and obligations.

The operation of cooperatives must stick to the purpose of providing comprehensive services to agriculture, to the countryside, and to farmers.

Spark Project Helps Rural Economic Development
HK2803112095 Beijing CHINA DAILY in English 28 Mar 95 p 4

[From the "Opinion" page: "Spark Project Injects Science Into Rural Areas"]

[FBIS Transcribed Text] The Spark Project has proved an effective way to combine science and technology with rural economic development to boost China's underdeveloped rural economy.

So said a joint report by the Research Office of the General Office of the Party Central Committee and the State Science and Technology Commission (SSTC).

The project, initiated by the SSTC in 1985, aims to help farmers apply for advanced technical skills and promote rural economic development.

After a decade of efforts, the project is bearing rich fruits.

By the end of 1993, the project had been spread to 85 percent of the counties, with 50,634 Spark programmes launched.

The investment on the project, totalling 47.7 billion yuan (\$5.8 billion), has brought about handsome economic returns with an output value of 235.87 billion yuan (\$28.1 billion).

Among the Spark programmes launched, 80 percent were in township enterprises. This has greatly promoted the management and technical progress of those enterprises. Several hundred enterprise conglomerates, whose annual output value has exceeded 100 million yuan (\$12 million), have come into being.

Under the project, about 45 technology-intensive development areas were established. Some have become small towns with developed industries and comprehensive public facilities, said the report.

To improve the science and technology level in rural areas, more than 600 training bases have been set up as part of the package. The traditionally self-sufficient agriculture industry is on the way to becoming a modern one with high yield, high quality, and high efficiency.

Governments at all levels have played an important role in mapping out and implementing the programmes. Special offices for the Spark Project at the central, provincial, and county levels have been established to offer guidance.

In choosing Spark programmes, local commissions of science and technology always cast their eyes on the market.

The chosen "Spark products" should potentially have a big market both at home and abroad, otherwise farmers will not show interest in those programmes.

Each programme has undergone strict examination with economic and scientific experts entrusted to conduct feasibility research on them.

Only when good economic efficiency was shown could farmers' enthusiasm in applying for advanced technology be Sparked.

The key to the success of the Spark Project lies in science and technology. The project, therefore, conducted various cooperations with research institutes, colleges and universities.

These institutes, for example, were encouraged to jointly establish companies with township enterprises through transferring their techniques and personnel.

When programmes were chosen, the state allocated only a few funds to start the operations. It was the companies that explored various ways to collect funds. The idle money of local people was encouraged to be garnered into the development of Spark programmes, said the report. Spark companies have also made a better use of bank loans.

The household production in rural areas made it difficult to apply advanced technology. Through the Spark programmes, advanced technical skills, talent, and scattered capital were tied together, exploring a way for science and technology to go into the rural economic development.

There is still much room, however, for the project to be improved, said the report.

During the past decade, the scale of the project has kept increasing. The annual government allocation on it, however, has remained unchanged.

In 1989, the government's investment accounted for 7 percent of the total input. By 1993, it shrank to only 1.4 percent. Some mapped programmes could not be kicked off because there is no money to start the business.

The government should give more financial support to the development of agricultural technology. The loans to Spark programmes should be made part of the plan of the State policy-oriented banks.

There is a lack of technical personnel in rural areas. Some grass-roots technology promotion stations could hardly maintain their operations due to the fund shortages. People there have transferred to other occupations. The Spark programmes were distributed unevenly in the country, with more than half of them in the eastern areas and only 32 percent and 18 percent in the middle and western areas.

In the future, priority should be given to the middle and west in choosing programmes so that capital, talent, and technology are attracted.

7.5 Billion Yuan Promised To Support Cotton, Grain

HK2803112295 Beijing CHINA DAILY in English 28 Mar 95 p 7

[By Wu Yunhe: "ABC Loan to Support Cotton, Grain"]

[FBIS Transcribed Text] The Agricultural Bank of China [ABC] yesterday announced that it will offer a 7.5 billion yuan (\$893 million) special loan to support the country's cotton and grain production this year.

The loan will be earmarked for the use of the country's major cotton and grain producing counties and the establishment of a series of model agricultural production centres.

It demonstrates that ABC continues to attach great importance to supporting agriculture, although it is moving towards becoming a commercial bank as required by the central government, ABC officials noted.

To ensure the effective use of the special loan, ABC is strengthening the management of its lending arms at grass-roots levels.

"ABC's money should be mainly used by centres and bases that are engaged in production of cotton and grain for the state reserves," a bank official noted.

The loan is to increase the working capital of grass-roots economic units that can ensure a short-term return in production of cotton and grain.

Other projects related to cotton and grain production, such as animal husbandry, processing, and technology development are also expected to be recipients of the special loan.

China's Agricultural Bank was split into the Agricultural Bank of China and the Agricultural Development Bank of China last November.

As part of the country's financial reform, the ABC is to become increasingly involved in the international financial market.

The Agricultural Development Bank is one of three new policy-oriented financial institutions. The other two are the State Development Bank and the China Export and Import Bank.

ABC has set up representative offices in Tokyo, Singapore, London, and Hong Kong to strengthen its presence in international markets.

Journal Discusses Rural Reform Trends

HK2903113095 Beijing LIAOWANG in Chinese No 9, 27 Feb 95 pp 4-6

[By Wang Yuzhao (3769 6735 2507): "Thoughts on Several Issues Concerning Rural Development and Reform"]

[FBIS Translated Text] The relationship between inflation and agricultural development at present raises the following question: Are the price increases of agricultural products hiking up the prices of industrial products or are the price increases of industrial products hiking up the prices of agricultural products?

These days, the following statement is circulating in society: The current inflation has been caused by agriculture and the price increases of agricultural products have activated the price increases of other products. On the surface, this statement sounds quite valid. In 1994, the prices of foodstuffs went up 35 percent, causing the overall price level to rise by 12.1 percentage points and accounting for 55 percent of the price increase rate; the price of grain increased 49 percent, pushing the overall price level up by 2.6 percentage points.

But why did the prices of agricultural products go up so fast? This question calls for a more in-depth analysis. I think it can be explained by the following reasons:

1. After several important reform measures were promulgated in recent years, especially last year and the year before, the prices of industrial products which were connected to agriculture went up first. With a 14.1 percent increase in the prices of such agricultural means of production as chemical fertilizers, farm chemicals, plastic sheeting, and diesel in 1993, they went up a further 25.4 percent in 1994 (from January to October). This situation had not been seen for many years. Electricity charges and freight charges also rose. According to an estimate, the change to the price of diesel alone caused a reduction in agricultural revenue of more than 10 billion yuan. Though central leaders kept emphasizing the need to guarantee the supply of fairly priced diesel for agriculture in the first half of the year [1994], this policy could not materialize. Furthermore, all sorts of responsibilities and surcharges in the rural areas increased, contributing to significant increases in agricultural costs and pushing up the prices of agricultural products.

Nowadays, everybody is talking about efficiency. As efficiency is emphasized in industry, so it should be in

agriculture, naturally. This round of inflation did not start with agriculture affecting industry. In fact, it was the price increases of industrial products that catalyzed the price increases of agricultural products.

2. For many years, the prices of agricultural products stayed at a relatively low level. The price increases for grain and edible oil we are experiencing now have an element of rectification.

3. The unification of exchange rates in our country has also had a certain impact on the rise in the prices of agricultural products. The increased prices of imported grain affected domestic prices. In the past, when there was a shortage of grain in the developed coastal areas, local authorities could import some grain. Now, because of the changes to the exchange rates, importing grain is no longer economic so they go to neighboring grain-producing provinces to buy grain, thereby jacking up the prices of grain.

4. The grain-growing peasants have been suffering from low cost effectiveness and their income has been growing too slowly and this has seriously dampened their enthusiasm in production. As a result, the growth of grain output has also been slow. There was a reduction in agricultural output in 1994 because of disasters, causing further strain on the supply and thus contributing to the price increases.

5. The imbalance in the development of industry and agriculture has caused agricultural development to lag behind. In recent years, the overall scale of capital construction has persistently remained very large, while the input into agricultural capital construction has been decreasing by the year. In 1978, the input into agricultural capital construction took up 10.3 percent; it went down to 3.3 percent in 1987 and 1988, picked up a little bit in 1989 to 4 percent, but dropped to a record low of 1.7 percent last year. Lessons from the past should be heeded: In 1958, the industrial growth rate was 54.8 percent but the agricultural growth rate was 2.4 percent, forming a ratio of 22.8:1. The severe imbalance between industry and agriculture led to three years of hard times. The authorities were forced to make adjustments and the situation could not be rectified till 1963. In 1988, inflation occurred, accompanied by panic purchasing. At that time, industry was developing at a rate of 20.8 percent while the agricultural growth rate was 3.9 percent, the ratio being 5.3:1. As a result, improvement and rectification had to be conducted. The ratio went back to 5.3:1 in 1993.

Agriculture must guarantee food supplies for the people and, on the other, hand provide raw materials for the development of the textile and other light industries. A rapid growth of industry inevitably requires matching agricultural development. However, as the input into industry grows with each passing year, the input into agriculture drops year after year and the acreage of arable land keeps decreasing with the population constantly increasing. Agricultural development cannot

keep up with the growth rate of industry and cannot guarantee effective supplies for the subsistence of 1.2 billion people and industrial development. If we do not pay attention to such a loss of balance, the basic balance of total supply and total demand which we have fought for all these years may be broken once again, at which time economic development may go seriously wrong.

Theoretically speaking, industry and agriculture should be in the correct proportions to each other and develop in a coordinated way. Chairman Mao treated this issue in great depth in his work "On 10 Important Relationships" a long time ago but this principle has been very hard to implement in actual work. Every time, adjustment or improvement and rectification were conducted when things were totally out of hand and when enormous losses had been incurred. In order to cause this bout of inflation to have a soft landing, I think the most fundamental and most essential issue now is to strengthen the input into agriculture, adjust the balance between industry and agriculture, and enable agriculture to adapt to the requirements of the development of national economy, with the support of other necessary measures. This is the only thorough solution to inflation. To effect a soft landing, we must increase the strength of macro-regulation and control. The key here is to control the expansion of the scale of capital construction while strengthening the increased input into agriculture, so that industry and agriculture can develop in proportion and in a coordinated way.

"Agriculture is the foundation" should not become an empty slogan. The most urgent action to take at present is to substantially increase the input into agriculture.

Agriculture is the foundation of the national economy. Food means God to the masses and agriculture concerns the stability of a country. This principle is known to almost everybody. At present, to put agriculture in the first place in the national economy is no longer a theoretical issue but the most real and most urgent practical issue. At present, the key to putting agriculture in the first place in the national economy is to increase the input into agriculture. For many years, agriculture has been relying on the following three things: Policy, science, and input. This is perfectly correct. Now, in order to solve the problems in agriculture thoroughly, the key is to increase the input into agriculture and to mobilize the enthusiasm of the peasants. Naturally, however, this does not mean policy and science are not important. Indeed, they are still very important but policy and science must have a material basis. Productive forces cannot be formed with certain material conditions.

Agriculture is one form of industry. While manufacturing industry requires input, agriculture naturally also requires input. Some people believe that arousing the enthusiasm of the peasants is sufficient for developing agriculture. This is a lopsided viewpoint. To increase the input into agriculture is now a task that brooks no delay.

Why is this so? First of all, as far as adjusting the ratio between industry and agriculture is concerned, as the input into industry has been significantly increased every year, the input into agriculture should naturally be increased. Second, enormous input is required for strengthening the infrastructure of agriculture and improving the conditions for agricultural production, especially the harnessing of major rivers and large-scale farmland capital construction. Third, to increase the weight of science and technology in agriculture, input is required for both scientific research and application and popularization. Fourth, to develop the circulation facilities in rural areas to meet the requirements of the development of the market economy also demands greater input. Fifth, to develop township and town enterprises, especially to narrow the gap between the eastern areas and the central and western areas by supporting the development of township and town enterprises in central and western areas, also demands greater input. Sixth, because agriculture is heavily affected by natural calamities, a protective system for agriculture and various kinds of risk mechanisms should be established and this also requires greater input. Besides, increased input is needed in the efforts to enhance the quality of peasants, universalize education, and strengthen environmental protection. Therefore, it is far from enough to pay lip service to the importance of agriculture and confirm that there are many deep structural contradictions in agriculture without taking any action.

To increase the input into agriculture, it is necessary to mobilize the initiative of various quarters. First of all, the state should take the lead in making investment, local authorities should also increase input substantially, and peasants should also increase input. Nowadays, there are all kinds of opinions about peasants and some people do not think peasants are willing to increase their input. As a matter of fact, as long as the policy is correct and farming is lucrative, peasants will not hesitate to put money in. That is why the crux of increasing agricultural input lies with the leadership and the determination of the departments and leaders in charge of macroregulation and control. It is necessary to cultivate an atmosphere in which the whole society supports agriculture and generously puts efforts and money into agriculture. We absolutely should not take money and materials away from agriculture in disguised ways or by cheating and victimizing the peasants in our actions while shouting the slogan of strengthening agriculture.

How should we view the household economy? Will the contract responsibility system on a household basis with remuneration linked to output keep in step with large-scale socialized production? What is the orientation for deepening the rural reform?

Whenever there was a strain on the supply of agricultural products, the following statement would start circulating: This is the result of small-scale production in conflict with the big market. In other words, the small

scale of operation under the contract responsibility system on a household basis with remuneration linked to output has impeded the development of socialist agriculture. The real purpose of this argument is to negate the value of the contract responsibility system on a household basis with remuneration linked to output or to say that, though it once played a positive role, it is now out of date and has exhausted all its potential. This issue concerns the orientation of the deepening of the rural reform and must not be overlooked.

After 1985, the grain production in our country was marking time for a number of years. In 1988 and 1989, some people suggested that this had been a result of the uncertainty of "the path." They advocated putting the land together once again, which essentially meant repeating the practice of the people's commune. Whenever there was a fluctuation in the production of agricultural products, people would be loudly reminded of the theory of "big market in conflict with small-scale production." If we say the development of the socialist economy always advances wave upon wave, why are no fluctuations tolerated in the development of agriculture? This past year has been a year of major disasters. All across the country, 860 million mu of farmland was hit and the harvest was zero on more than 100 million mu. The damage was evaluated at more than 170 billion yuan and the grain output decreased to some extent. This is normal and is in no way a result of so-called small-scale production. In my opinion, we should try to find the root of any agricultural problem mainly in the policies and make a point of arousing and protecting the enthusiasm of peasants and rural households. This is an everlasting motive force for the development of agriculture.

We used to be influenced by a theory from the Soviet Union, namely, the theory that small-scale production is surrounding us like a vast ocean and that small-scale production generates capitalism and bourgeoisie regularly, every day and at all times, spontaneously, and in large amounts. Therefore, we always took a negative attitude toward the household economy. In wartime, we encircled the cities from the rural areas and it was peasant warfare in which the peasants were considered a reliable ally force. After we had seized state power, we founded the PRC under the people's democratic dictatorship led by the working class and based on the worker-peasant alliance, wherein the peasants remained the most reliable ally force. However, in our practical work, peasants were always regarded as being engaged in small-scale production and capitalism. Consequently, criticism campaigns were conducted one after another in rural areas and the "three privates and one contract" policy was considered capitalistic. It went so far as to denounce the potentate following the capitalist road in rural areas; restrict the development of diversified operations in rural areas; and even condemn as capitalist practice such things as growing water melons, ginger, and garlic on private plots or raising some extra chickens and ducks. As a result, there was long-standing poverty in the countryside.

In fact, large-scale socialized production and small-scale production are not diametrically opposite to each other. The scale changes with the development of production. Everything has a size and it does not follow that the bigger the better. Not all industries are big industries: There must also be medium, small, or even household factories. This applies to shops. There are big, medium, and small shops and even mom-and-pop stores. China's agriculture needs to expand its scale to an appropriate extent. This is a natural result of economic development and nobody will say no to it. The question is how to achieve operation of scale. If we repeated the past practice, put all plots of land together without giving thought to individual needs and pursued an egalitarian policy, the peasants would not accept it. Operation of scale cannot be achieved without certain conditions. It is a product of the natural development of the economy and cannot materialize under coercive administrative means. First of all, we must channel the bulk of the labor force away from the land and leave a small percentage to work on the land. This would be the only way to expanding the scale of production. It would call for a large amount of money and an enormous input. At the very least, township and town enterprises and the secondary and tertiary industries must be developed to rechannel the surplus labor. Then, after the surplus labor has been channeled away, a small portion of labor would stay to work on the land. This would require the mechanization of agriculture, which would also cost a lot of money. At present, the developed coastal areas, cities, and industrial or mining suburb areas are economically strong. There, most of the labor has been rechanneled and they, of course, can afford to achieve operation of scale gradually. However, in the broad central and western regions, especially the poverty-stricken areas, such conditions are nonexistent. To achieve operation of scale in those areas would be a rather long process of evolution. Therefore, in my opinion, the road of development for rural China or, rather, the main content of the rural reform in the next step must not be simplistically summarized as operation of scale or operation on an appropriate scale. Instead, we should follow the direction of the market; focus on the enhancement of economic efficiency; introduce industrial, specialist, and entrepreneurial elements into agriculture by referring to the requirements on the integration of production, supply, marketing, growing, breeding, processing, trade, industry, and agriculture regarding the leading industries of the national economy; and help activate the overall invigoration of the rural economy. This is conducive to stabilizing the contract responsibility system on a household basis with remuneration linked to output as well as achieving the goal of operation of scale. Peasants would find this easy to accept. So far, a large number of good examples of this kind have emerged all across the country. In particular, Shandong Province created many very good precedents in conducting industrialized operation of agriculture. I think this term is more scientific

and realistic than the notion of operation of scale and will help avoid misunderstandings on the part of the peasants.

How do we realize the industrialized, specialized, and enterprise-style operation? The "dragon-style [long xing 7893 1748]" economy which has emerged in many places is a fine form of such operation. According to the experience of different localities, such operations can be classified into the following categories: With the processing industry as the dragon head, leading the development of rural economy, i.e., what is commonly referred to as the factory-plus-rural-household practice which is, in fact, a system whereby the government is the organizer and the factory, rural household, and finance are integrated on the path of industrialized operation; developing the regional economy with each village focusing on one product and each township (or town) focusing on one or more products to allow for mass production and achieve specialized production; with the market as the dragon head, activating the development of rural industrialization; with bases as the dragon head, activating the development of rural industrialization and achieving specialized production; with the socialization of services as the dragon head, activating the development of rural industrialization, making a good job of services before, during, and after production, and achieving operation of scale through socialized services; promoting exploitation agriculture by exploiting uncultivated mountains, hillsides, and bodies of water and tidal land, conducting specialized production, and achieving industrialized operation; and establishing all kinds of small farms, such as family farms and multi-household farms, through compensated transfer of the land use rights.

Today, there are also localities where the land stock-sharing system has been instituted. For instance, in some places in Guangdong, the existing land is divided into three parts: One part is for agricultural use, one part for housing or residence, and the third part for industrial use. They have also set up minimum farmland protection zones. Land use rights are given share value and specialized teams are organized to conduct production. This method not only protects basic farmland but also helps realize the goal of operation of scale.

Thus, in my opinion, the orientation of rural development in our country should not be simplistically summarized as operation of scale, let alone negating the household economy. The evolution of the rural economy in our country adopts the following pattern: The contract responsibility system on a household basis with remuneration linked to output—developing township and town enterprises—the construction of small cities and towns—the "three highs" agriculture [high efficiency, high output, high benefits]—industrialized, specialized, and enterprise-style operation in rural areas.

East Region

Jiangsu Establishes Assets 'Network'

OW2903081095 Beijing XINHUA in English 0747
GMT 29 Mar 95

[FBIS Transcribed Text] Nanjing, March 29 (XINHUA)—Jiangsu Province, an economic powerhouse in east China, has established a network for taking care of state-owned assets.

The special organizations, set up in 11 cities, two special budget districts, and 106 counties, have inspected state-owned assets in 3,362 projects listed by the provincial government.

With a trial inspection of state-owned assets starting in 1992, Jiangsu finished the first check in administrative units in 1993, and extended the inspection to 4,025 state-owned large and medium-sized enterprises in 1994.

In 1990, the province inaugurated a statistical system. The data collected from 64,788 administrative units and enterprises showed that they had state assets of up to 117.8 billion yuan, up 64.99 percent from the 1990 figure.

A property rights registration system was introduced in the province in 1992. So far, 12,247 enterprises have registered state-owned capital of up to 67.54 billion yuan.

The property registration has clarified the distribution of state-owned assets, and how efficiently they are used.

To standardize the inspection of state-owned assets, Jiangsu has exerted efforts at training personnel and imposing strict limits on inspection organizations. Those institutions which cannot pass annual checks will be forced to cease operation.

The inspection has stemmed the erosion of state-owned assets. In turning six foreign trade firms into share-issuing entities, the province recovered 120 million yuan in state-owned assets.

Shandong Secretary Discusses Government Work

SK2803122295 Jinan DAZHONG RIBAO in Chinese
28 Feb 95 pp 1-2

[FBIS Translated Excerpt] The provincial people's government held an (enlarged) plenum on the afternoon of 27 February to relay and implement the spirit of the third session of the eighth provincial people's congress. Attending the plenum were Zhao Zhihao, secretary of the provincial party committee; Li Chunting, deputy secretary of the provincial party committee and governor of the province; Song Fatang, deputy secretary of the provincial party committee and vice governor of the province; and Zhang Ruifeng, Wu Aiyang, Wang Yuxi, and Shao Guifang, vice governors of the province. Zhao Zhihao and Li Chunting addressed the plenum. [passages omitted]

In his speech, Zhao Zhihao stated: The third session of the eighth provincial people's congress was very successful. Not only various tasks for reform and construction for this year were discussed and decided at the plenum, but also additional staffers to the provincial people's government were elected. The appointment as governor of Comrade Chunting and as vice governor of Comrade Guifang were adequate. The people's deputies trust and support them. Judging from the overall situation, at present the leading body is strong and its structure rational. The provincial party committee is convinced that the leading body is totally able to better conduct the government work and to achieve better effects under the leadership of Comrade Chunting. The provincial party committee wishes all staffers of the provincial people's government; special advisers to the government; and responsible comrades of various departments, cities, and prefectures should actively support the government work, offer their opinions, be staff officers, continuously do a good job in integrating the spirit of the central directives with the work reality of Shandong, and successfully conduct their own work in a creative manner. It is hoped Comrade Chunting and the "general personnel" of the provincial people's government should continuously emancipate their minds, seek truth from facts, heighten their spirit, and boldly engage in pioneering work. Based on their original work, they should carry forward their achievements; overcome their shortcomings; and improve the government work on a new level. Only by achieving unity can we increase wisdom; enjoy cohesion; and turn out productive forces, talented personnel, and cadres. The provincial people's government has a fine tradition of upholding unity and doing practical deeds. It is hoped the new leading body and all staffers of the provincial people's government should carry forward the fine tradition; should attach importance on the entire situation; should show concern for one another; and should understand, trust, and support one another, unite as one, closely coordinate one another, do a good job in carrying out the group emulation drive, and win the champion of the drive.

In citing the issue of how to successfully conduct government work in the future, Zhao Zhihao stated: In conducting the work, attention should be paid to the following several key aspects:

We should soberly discern the situation. Currently, both opportunity and the challenge of development exist simultaneously. We should not only note the favorable conditions, but also the difficulties and problems we face. The competition we face is very fierce. Without progress, we will certainly fall back. Therefore, we should have a sense of crisis, emergency, and responsibility.

We should continuously meditate and discuss major events. We should continuously and earnestly implement and enforce a series of strategies and principles that have been proved through practice and conform with the province's reality, such as "three steps" strategic targets; the "3321" projects; the strategy of "conducting opening

up in all directions, making a breakthrough in key points, expediting work level by level, integrating the development plan of east Shandong with that of west Shandong, and accelerating the development"; the integrated development of "trade, industry, and agriculture"; integration between urban and rural areas; and the establishment and improvement of socialized service systems in rural areas. Meanwhile, understanding the province's conditions and defining development strategies have been continuously deepened along with the changes of situation. Hereafter, we should further study and successfully deal with the strategic problems that have a bearing on the province's economic development.

We should attach great importance on upgrading the overall quality and effect of the economy. Over the past few years, the province's speed in economic development has been quicker; however, it has not been ideal. Hereafter, we must deal with the problem in a down-to-earth manner.

We should continuously make all-out efforts to enhance agriculture, a foundation of the national economy; do a good job in readjusting the structure of industries and products; organize a large number of backbone enterprise groups; continuously conduct technical renovations; develop high-and-new tech industries; successfully grasp scientific and technological education; and upgrade the quality of laborers in an overall way.

We should continuously deepen reform and opening up. The fundamental outlet for resolving knotty problems, developing the economy, and making social progress lies in reform and opening up. By emphasizing the work of deepening reform among state-owned enterprises, we should accelerate the establishment of modern enterprise systems; expedite auxiliary reforms in various fields; and accelerate the establishment of social security systems with the insurance of unemployment and old-age pension as a focal point. We should further understand the important role played by the program of broadening opening up in bringing along economic development in the province as a whole and should foster the concept of large-scale economy and trade. Departments at all levels should unite as one in launching an overall battle in this regard and should improve the work to open up the province to the outside world to a new level.

We should firmly foster the concept of relying on the masses, carefully listen to the voice raised by the masses, show concern for the masses' weal and woe, and deal in a timely manner with the hotly-debated and knotty problems for which the masses show concern. We should continuously do a good job in grasping the supplies of "vegetable basket" and "flour bag" that have a bearing on the people's livelihood. A good job should be done in making arrangements for production and livelihood for poor areas, difficult enterprises, and those masses who have suffered disasters. Currently, we should attach special importance on the work to successfully curtail inflation and lower the overly high scale of price hikes. A

good job should be done in conducting the comprehensive management of social security and in maintaining political and social stabilities so as to enable the masses to truly have a sense of safety and live or work in peace and contentment.

We should further shift our work style, seek truth from facts, do things related to practical work, and vigorously grasp implementation. Many major and important policy decisions made by the Central CPC Committee, the State Council, and the provincial party committee should be implemented through the government. Thus, grasping implementation represents the basic work of governments. Leadership at all levels should go deep into reality and grass-roots level units to carry out investigation and study and resolutely prevent and overcome bureaucracy and formalism. What we have to repeat is the practice of telling the truth, doing practical deeds, and seeking practical effects. We should stress economic results in carrying out all economic activities and should stress social effects in conducting all social activities.

We should uphold the principle of "making a two-handed approach and being tough with both hands," and do a good job in building the spiritual civilization. If we fail to improve the spiritual civilization and suffer bad social morale, an economic rise will be of no sense and will leave countless troubles.

Lastly, Zhao Zhihao stressed: We should enhance the study and upgrade the quality of leadership. We should continuously and earnestly study the theory of Comrade Deng Xiaoping with regard to building socialism with Chinese characteristics; should master the knowledge of the market economy and modern sciences; and should upgrade theoretical levels, the principles of party spirit, and the capability of practical work. Through study and practice, we should firmly foster a correct outlook on life and a world outlook, and continuously upgrade our own political quality. Leading cadres at all levels should not only be specialists at their professions, but should also be proletarian statesmen who act in unison with the CPC Central Committee, have a firm stance and long-term ideals, and share weal and woe with the people. We should set strict demands for ourselves in line with the pledge of governmental working personnel with regard to "conducting reform and creating something new, uniting as one and doing practical deeds, and rendering services with high effects". We should also carry out extensive activities of learning from the model deeds achieved by Comrades Kong Fansen and Wang Tingjiang, and should foster the revolutionary spirit of harboring long-term and great ideals and lofty sentiment, launching arduous struggles, and selflessly making contributions. Efforts should be made to deeply carry out the anticorruption struggle. It is possible for us to be corrupt without such a struggle, and for the future and fate of the party and the country to suffer dangers. Therefore, all working government personnel should successfully pass the test of ideology, politics, power, money, and livelihood. Leading cadres present at today's plenum should

firmly remember the warning given by Comrade Jiang Zemin with regard to "if the upper beam is not straight, the lower ones will go askant; if the medium beam is not straight, the house will collapse". They should take the lead in being honest and self-disciplined, should know well the duty and influence of their own, should build a contingent of good middle-aged and young cadres in the generation, and should assume the heavy burdens of work for the next century.

During the plenum, the appointment as assistants to the governor for Comrades Wang Weitian, Sun Guangyuan, and Lin Shuxiang were also announced.

Song Fatang delivered a speech at the plenum in which he made arrangements for implementing the spirit of the third session of the eighth provincial people's congress.

Shandong Province Strengthens Pollution Efforts

OW2903070895 Beijing XINHUA in English 0646
GMT 29 Mar 95

[FBIS Transcribed Text] Jinan, March 29 (XINHUA)—East China's Shandong Province has witnessed a downward trend in environmental pollution, despite the fact that economic development is vigorous.

The provincial people's congress has passed several laws strictly curbing pollution, and governmental bodies at all levels are required to crack down on any infringements.

Old enterprises which used to discharge large amounts of pollutants have been forced to install treatment facilities, and 27 of them have been closed down.

New progress has been made in harnessing some major river valleys since the departments concerned devised a comprehensive program covering pollution control, flood drainage, irrigation, navigation and aquatic breeding, as well as tourism.

Meanwhile, urban pollution has been put under effective control, since more than 200 smoke and dust control, and 150 noise control zones were set up in over 40 cities.

So far, six urban sewage-disposal centers have been built, while the construction of eight others is under way.

In addition, Shandong has stepped up efforts for the construction of basic facilities for environmental protection. It is learned that the special funds for environmental protection will account for well over one percent of the total gross product of the province by 1997.

Shanghai Financial Radio Begins Broadcasts

OW2903063995 Beijing XINHUA in English 0614
GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—China's first radio station specializing in financial matters went into official operation here today, according to today's "SHANGHAI SECURITIES".

The report said that the station, the Oriental Radio Station's Finance Radio, will air global financial information from 7 AM to 6 PM via a communications satellite, at FM 97.7.

The programs will cover financial information of all kinds, especially the movements of the Shanghai stock and bond markets, as well as the stock and foreign exchange markets in Hong Kong, Tokyo, New York, London, Paris, Frankfurt and other major cities, where the station has special correspondents.

The station will also cover economic and financial policies.

The Shanghai Securities Exchange will transmit the daily radio programs to more than 400 Chinese cities by satellite, the report said.

The station will help investors as well as other citizens make financial decisions, said Zhang Ming, who was responsible for the establishment of the new station.

Shanghai Airport Under Preparation

OW2903061195 Beijing XINHUA in English 0255
GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—Site surveys for the construction of an international airport are under way in the Pudong New Area in Shanghai.

The Pudong International Airport will be located in the eastern part of Pudong. It will cost about 10 billion U.S. dollars to build.

Upon completion, the airport will have three main runways and be able to handle as many as 100 planes per hour. Its annual handling capacity will be 50 million passengers and three million tons of freight, five times the capacity of Hongqiao Airport in this, China's largest economic center.

The airport will be built in three stages. The first construction phase, including a main runway and supporting facilities will be completed by the year 2000, and will be able to handle 12 million passengers a year.

The second phase, with an annual handling capacity of 30 million passengers, is scheduled for completion in 2015, and the third phase will be aimed at improving all the facilities while constructing the third runway.

Profile of New Shanghai Mayor Xu Kuangdi

HK2903103395 Hong Kong TA KUNG PAO in Chinese
22 Mar 95 p B1

[Report by staff reporter Zeng Hua (2582 5478): "Xu Kuangdi, How Will You Act As Shanghai Mayor?"]

[FBIS Translated Text] It is the morning of 24 February, at the central hall of the Shanghai Exhibition Center.

At this moment, Xu Kuangdi, newly-elected mayor of this extraordinarily large Chinese city, is getting up from his seat in the second row of the rostrum and walking toward the platform on the right front. The 846 municipal people's congress deputies are gazing at him down on the stage: "Xu Kuangdi, how will you act as mayor?"

A Pledge to the Shanghai People: In the First Three Years of Office, To Devote Energy to Handling Well Housing and Traffic, the Two Projects for Winning Popular Support Which Have a Bearing on the Overall Situation

Shanghai's traffic and housing are two problems which have been perplexing its authorities and citizens for years, so they are always the touchstone for testing the government authorities' capability, vigor, and the popular support they are enjoying. A burst of "popular sentiment" has been spreading across Shanghai: Whoever fixes Shanghai's traffic and improves the housing conditions of the common people will have a place in the temple of fame.

Xu Kuangdi has become mayor. In his inauguration speech, he made public his determination to properly handle traffic and housing, the two "projects for winning popular support."

How to set about improving traffic conditions? Xu Kuangdi was very clear about it: "The key to solving Shanghai's traffic problems lies in developing public transport; it is unrealistic to have more private cars within a short period of time."

Late last year, a 37 km-long inner ring road in Shanghai was fully opened to traffic, and this year, the 8.7 km-long "Chengdu Road Viaduct" will be built and opened to traffic. Xu Kuangdi said: "This year, we must link up the southern and northern overhead lines, and then converge them with 10 key suburban traffic lines. By the end of this century, we have to build up Shanghai's three-dimensional traffic network."

Apart from highway building, Xu Kuangdi, who was once a professor, sets great store by administration. Xu Kuangdi, who lived in Sweden for more than a year and has made several overseas trips, has said that Shanghai should learn from advanced countries and regions. In his eyes, roads in such metropolises as Tokyo, New York, and Hong Kong are not wide, but the flow of cars is extremely great, so the key to solving traffic problems lies entirely in administration. However, in the case of Shanghai, traffic administration demands improvement. The existing traffic regulations must be revised, and citizens should have a stronger sense of traffic laws and regulations. He believed that, through the introduction of a set of "soft" and "tough" measures, Shanghai's traffic conditions will definitely be improved.

The first public function after his assuming office was to attend the inaugural meeting of the Shanghai "Housing Development Council." He voiced his aspirations by

quoting an old saying: "Build tens of thousands of vast buildings to make millions of Shanghai citizens happy."

He made a pledge to "millions of Shanghai citizens" that the municipal government would deal with the housing problem, a pressing issue drawing popular concern, that new houses, totalling 8 million square meters, would be built this year, and that the government will implement preferential policies on the supply of land and capital in favor of those building low-cost houses.

He attended the Housing Development Council meeting, took part in tree-planting and afforestation activities, and gave addresses on the issue of education, which is a popular concern. These public events in the first three days after the new mayor's assuming office enabled Shanghai citizens to have full confidence in his pledge to "bring benefit to all the people here during my term as mayor."

In a call-in radio program with listeners from eastern China, he said: Shanghai will cooperate, with its breadth of vision, with neighboring areas to seek common prosperity.

On the third day after he assumed office, Xu Kuangdi came to the Shanghai Radio Network and spoke to listeners from eastern China in a special program.

Xu Kuangdi said: Shanghai could not have been as prosperous as it is today and Pudong could not have made such rapid progress without the support of the whole nation, particularly of the eastern China region. He said: "At a time when Shanghai has become the driving force of economic development impacting on the eastern China region, it must also be receptive to feedback."

The telephone kept ringing as the live radio program continued. Listeners in Jiangsu, Zhejiang, and Jiangxi kept raising questions for the new Shanghai mayor on regional cooperation.

Xu Kuangdi did not conceal his true thoughts and seldom spoke in a bureaucratic tone. He said frankly: Our government's role is to prepare the ground for a good market, rather than to be restricted to drawing up inter-governmental cooperation schemes.

Xu Kuangdi has, after all, lived in Shanghai for many years, even though he was born in Zhejiang. He was very unhappy about the general practice of the Shanghaiese in calling all of the people coming from other parts of the country as "country folk." He warned the Shanghaiese "not to, in whatever circumstances, look down upon people who do not know how to speak the Shanghai dialect." He said: "The words and deeds and the mentality of looking down upon outsiders is virtually a deep-rooted bad habit of the urban petty bourgeois as well as the remnants of colonial culture." He appealed to the public: "We must not only object to parochialism but also overcome the urban dwellers' implicit sense of superiority."

Xu Kuangdi said: "The Shanghainese should be broad-minded. Shanghai's prosperity hinges on the prosperity of its neighboring areas, and the day that the economy of eastern China flourishes will be the time for Shanghai's economic prosperity to come."

Saying Frankly to This Reporter: He, As a New Mayor, Will Not Make Drastic Changes, But Will Rather Continue What His Predecessor Has Been Doing. He Has Three Things in Common With His Predecessor, But Admitted That They Have Different Temperaments

Four years ago, Xu Kuangdi left the "ivory tower" of college and started entering the political circles. He acted as vice mayor from 1992 and assisted the former mayor in handling daily routines, with the special responsibility for comprehensive economic management. During that time, he not only took part in the decisionmaking process but was also responsible for coordination and organization for policy implementation. Now, as he has assumed his new office, will he make any drastic changes?

"No," Xu Kuangdi said, "I will not make any drastic changes but will rather continue what has been done."

Xu Kuangdi said: "Shanghai's fundamental policies have been fixed by the central authorities and implemented by several terms of government. I am not a novice on this 'court'; I have to still play according to the demand of the 'coach' and the 'way the other players are playing.'"

This reporter asked: "Since you and Huang Ju, former mayor and incumbent municipal party secretary, have different experiences and temperaments, will it be difficult to work with one another?" Xu Kuangdi answered with a smile: "We have three things in common."

"Both of us are persons putting into practice Deng Xiaoping's theory of reform and opening up. As far as the cause of promoting socialism with Chinese characteristics is concerned, we do not have any differences. Likewise, we have the same understanding on some other major concerns, such as changes in the functions of the municipal government, land lease for rebuilding the old city area, and the emphasis on the development of Pudong."

Xu Kuangdi was, after all, a "good assistant" to the mayor. Now, one of them is the party secretary and the other one is the mayor. In this connection, Xu Kuangdi said, "Both of us are quite broad-minded and can handle things through discussion."

Xu Kuangdi said, "The third point we are in common is that we share the same pressure and sense of responsibility, and both of us are willing to get things done for Shanghai during our tenure of office. We neither want to let the residents down nor to disappoint the central authorities."

Xu Kuangdi, who has 31 years of experience in college teaching, is frank and outspoken. He made no attempt to

conceal the temperamental differences between Huang Ju and himself. "Perhaps I am more outspoken, while he is more implicit." As they complement one another, Xu Kuangdi said: "We have been working together for years without any problems."

He also told this reporter that he had already been friends with Huang Ju for over 20 years. At that time, Xu Kuangdi, who was teaching in a university, led his students to the Shanghai Zhonghua Metallurgical Plant to test a new kind of steel, during which he cooperated with Huang Ju, who was then in charge of the technical work in the plant.

In the 1970's, they cooperated with one another in scientific research; in the 1990's, they are jointly administering Shanghai in a new round of "partnership."

Setting Demands on His Daughters: Never Forget That You Are Chinese

Xu Kuangdi is an domestically and internationally renowned metallurgical expert and professor. He masters two foreign languages, has published dozens of theses, including four monographs, and has made great contributions to our country's special steel production and research. Now, as the chief of a municipality, he is still taking up his unfinished work of guiding students reading doctorates.

The 57-year-old Shanghai mayor said that his growth was attributed to good primary and secondary education. He recalled: "A geography teacher of my primary school made such an impression on me that I will never forget him for the rest of my life. One day in class, the teacher plotted a map of China on the blackboard, saying that China was like a mulberry leaf and Japan was like a silkworm which was nibbling at the northeastern and northern part of our country." His vivid metaphor was so touching that his students' patriotic feelings were aroused. Though decades had passed, it seemed that Xu Kuangdi was talking about events that happened only yesterday.

Xu Kuangdi spent his university days in the Beijing Iron and Steel College. "It was in the midst of the first five-year plan of China's economic construction, and news about the progress made in iron and steel production was published in the press everyday, which was very inspirational. Today, Xu Kuangdi was still proud of his own choice at the outset, saying that "this profession has fostered my two personality traits: The ability to overcome difficulties and the spirit of cooperation."

Since then, Xu Kuangdi has been generally regarded as "strong in adaptation and coordination," a fact which actually originated from the iron and steel profession of his own choice.

"I am leading a very ordinary life, but I have diversified interests. I was a member of athletic teams from secondary school to my college days. I was among the top six in the 800-meter run and 200- and 400-meter breast

stroke of the Beijing College Sports Meet in those days. During my student days, I played violin and cello, and in my college days, I was a member of the orchestra and choir." Talking about this, Xu Kuangdi regretted that "I had no time to play but only listen to it afterwards. It is really nice to listen to music at intervals in my busy official schedule."

"My wife Xu Luoping was my schoolmate in college but a year below my class. She is now the director of the Jinxiang Teaching and Research Office of the Shanghai University and she is also a professor. She says she is willing to teach until she retires." About his wife, Xu Kuangdi said: "She says she is independent and does not want to take part in public activities in the capacity of Mrs. Xu. We have a 'gentlemen's agreement,' and she will not attend any of my official activities."

Speaking about his two daughters, Xu Kuangdi's nature as a kind father came through clearly. "My elder daughter graduated in the profession of biomedical engineering and later won the WHO scholarship to go abroad to pursue her master's and doctoral degrees. She is now working as associate professor in a famous university. My younger daughter graduated in the profession of electronics engineering and is now studying for a post-graduate degree overseas."

"I have made two demands of them: First, never forget that you are Chinese, which is the most fundamental point of living and working; and second, concentrate on technological studies. My daughters told me, we will not come back as long as you are a government official, because we do not want your 'patronage,' and we will come back to look after you once you retire."

At the time of his birth in 1937, Xu Kuangdi's family was leading a vagrant life in order to escape from the chaos caused by war, so the baby boy was named "Xu Kangdi." Later, an old man renamed him as "Kuangdi," for the meaning of championing justice and peace and turning ill luck into good.

In face of domestic trouble and foreign invasion, the Xu family wished that their only son could bring them peace and luck. Today, after more than half a century, Shanghai citizens, who are facing a new round of "great changes in the next three years," wish that their new mayor can bring them stability and prosperity.

Xu Kuangdi, who has passed the "age of knowing God's will," considers that he has lived up to his parents' expectations, and he is confident that he will not let the Shanghai citizens down.

Shanghai Encourages Growth of Conglomerates
OW2903100395 Beijing XINHUA in English 0902
GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—Shanghai, the economic powerhouse of China, is taking measures to encourage the growth of conglomerates.

Under a municipal plan, 10 conglomerates each with annual sales exceeding 10 billion yuan (about 1.17 billion U.S. dollars) and dozens of others each with over five billion yuan in annual sales will be set up by 1997.

According to Xu Zhiyi, director of the Municipal Economic Commission, Shanghai, as the country's largest industrial center, has all the conditions to accelerate the development of large industrial groups, though the expansion has been hindered so far by the old economic structure.

In a contest held by the State Statistics Bureau last year, none of the 36 local enterprise groups in Shanghai reached annual sales worth five billion yuan.

"The scale of Shanghai's enterprise groups must be constantly expanded," Xu noted.

This year's focus will be on supporting the growth of conglomerates in the automobile, electronic information equipment, power station equipment and consumer electronics sectors.

The municipal government will not interfere with the development of these conglomerates, said Xu Kuangdi, mayor of Shanghai, but will encourage them to grow by means of mergers and acquisitions, with the help of their own assets and the financial sector.

The city also plans to form large share-holding commercial groups and chain stores headquartered in Shanghai.

The government will support the growth by entrusting large enterprises with state asset management and by introducing preferential policies regarding finance and foreign trade, the mayor said.

Shanghai To Invest in Pollution Control

OW2903024595 Beijing XINHUA in English 0230
GMT 29 Mar 95

[FBIS Transcribed Text] Shanghai, March 29 (XINHUA)—China's largest industrial center of Shanghai will invest 1.5 billion yuan in projects for controlling pollution this year.

This will be a record amount of government investment for the sector, said an official from the municipal bureau of environmental protection.

The money will be used in the protection of water resources on the upper reaches of the Huangpu river and in the treatment of industrial wastes discharged by 100 heavy polluters.

Last year, the city moved a dozen polluting factories out of the city proper and conducted comprehensive treatment in 11 factories on the upper reaches of the Hangpu river.

As a result, the displacement of waste water, gas and smoke in Shanghai has been kept at the level of 1982, the official said.

Central-South Region

Government Strengthens Management of Cruise Ships

OW2903063095 Beijing XINHUA in English 0327
GMT 29 Mar 95

[FBIS Transcribed Text] Wuhan, March 29 (XINHUA)—The Chinese Government has decided to strengthen management and control over cruise ships on the Chang Jiang River in a bid to guarantee the safety of Chinese and foreign tourists.

The operators of cruise ships are being asked to improve service and to safeguard tourists, an official with the Chang Jiang River Shipping Administration under the Ministry of Communications (MC) was quoted as saying.

According to a recent circular issued by the General Office of State Council, transportation companies operating inter- or intra-provincial sightseeing service on the Chang Jiang River should be approved by the MC or the provincial communications departments.

Sino-foreign joint-funded companies involved in this trade also need to get approval from the MC, the State Planning Commission, and the Ministry of Foreign Trade and Economic Cooperation, and Chinese investors should hold more than fifty percent of the shares.

The cruise ships should meet the standards published by the Register of Shipping of China, and the crew members will not be allowed to work without a certificate gained by being tested by the National Bureau of Harbor Superintendency.

The MC is to join hands with the public security departments and the National Tourism Administration to improve security and service on the ships, the circular said.

The Chang Jiang River boasts a series of tourist attractions along its navigable waterways, including the world-famous Three Gorges, and the booming tourism sector has seen a rise in the number of sightseeing ships, bringing about an increase in the number of management problems.

Guangdong Bans Firms From Firing Older Workers

HK2903054095 Hong Kong SOUTH CHINA
MORNING POST in English 29 Mar 95 p 12

[By Chan Wai-fong]

[FBIS Transcribed Text] In a bid to contain labour unrest, Guangdong has stopped state enterprises dismissing workers aged 40 and above.

The Government has also banned firing women, handicapped and sick workers.

A recent document, the "Arrangements for Surplus Workers in State Enterprises", rules that people who have worked for more than 20 years and are over 40 should not be laid off.

"In principle, they (enterprises) have to get them some work to do and not dump them on society," a source said.

"This is the crux of the document because it is difficult for these people to find other employment once they are made jobless."

Unofficial estimates put surplus labour nationwide at 200 million last year.

Guangdong has been secretive about its unemployed although the official media has reported an increasing army of redundant workers. Guangdong has also promised some workers "unrestricted" contracts in the transition from the iron rice bowl to the contractual system.

These contracts cover technicians and workers who are to retire in less than 10 years, the source said.

"They will definitely get a job, and there are some guarantees that they can work until they retire unless they break the law," he said.

He added that women, the handicapped and sick workers would also enjoy preferential treatment during the transition.

But observers doubted whether the measures could be implemented as many state enterprises are already debt-ridden.

Meanwhile, Beijing has announced measures to stem the influx of migrant workers to relieve unemployment. All migrants are required to obtain approval before they can be employed in Beijing and bosses cannot hire migrants if there is suitable surplus labour.

Four Village Leaders Executed in Henan

OW2803140695 Beijing XINHUA in English 1346
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Four village leaders who conspired to murder a local farmer, were executed today in Nanyang, in central China's Henan Province. Two others were sentenced to three and seven years' imprisonment respectively, a spokesman from the Supreme People's Court said today.

From August 1992 to March 1994, Chen Zhongshan, a 58-year-old farmer in Xulou Village, Taoying Township, of Dengzhou City made repeated appeals to government departments, complaining about abuses of power, misuse of land, and unreasonable expenses among local village leaders. As a result, Chen offended township and village leaders.

Acting on instructions from the township head to "punish" the man, two village leaders hid themselves

with a gunny-sack and a rope alongside a road where Chen Zhongshen would pass. When Chen came by, one man seized him by the throat while the other put the rope around his neck, strangling him to death.

Later, the two criminals put Chen's body and 30 kgs. of stones in the sack and put them in a ditch.

The case caught the attention of senior Chinese leaders who instructed local officials to punish the criminals severely, because it was uncovered by local police. After careful deliberation, the Nanyang Intermediate People's Court found four village leaders, Zhang De'en, Liu Changzhi, Zhang Deqing, and Wang Yukuan, guilty of conspiring to murder Chen and sentenced them to death, depriving them the right of appeal. Yi Zhichun, another village leader, and Dun Yingzhan, the township head, were sentenced to three and seven years' imprisonment respectively.

Commenting on the executions and imprisonment, the PEOPLE'S DAILY [RENMIN RIBAO], the Communist Party organ, called the murder a "heinous" and "rare" case, stressing the point that the case should be given special attention by Party and government organizations, especially those at district and county level.

China's constitution makes it clear that "China's state institutions must check the facts and deal with appeals, charges, or reports seriously. No one should suppress or retaliate," as was quoted by the paper.

Chen reported abuses of power in the village to a higher government organization. "This is an inviolable right of citizens under the law, not to mention the fact that what Chen said was reasonable and based on fact," the paper pointed out.

According to the editorial, Chen Zhongshen had been reporting the misuse of power to the township, city, prefecture, and provincial governments over a period of one year and seven months, the institutions did little but pass the responsibility on to others.

"This demonstrates serious bureaucratic action among government institutions who should be held responsible for his death," the paper added.

North Region

Beijing To Improve Tourism 'Management'

OW2803113395 Beijing XINHUA in English 0756
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Beijing is taking fresh measures to improve the management of the local tourism industry in a bid to provide a more friendly atmosphere for overseas visitors.

In a continued effort to improve services and protect tourists, the municipality has decided to stringently

punish travel agencies which hire unqualified individuals or otherwise provide inferior services.

The Beijing Municipal Travel Agency Quality Supervision Institute will be set up soon to handle complaints and claims from overseas tourists, a municipal tourism official disclosed.

Meanwhile, the registration and cancellation of registration of tourist guides will be made known to the public from this year. Tourism enterprises which receive three valid complaints within six months will be exposed in the mass media.

The annual examination system will be further improved. Those businesses which do not submit themselves for examination will be taken as voluntarily giving up the business, and those which fail to pass the examination will be deprived of their licenses.

The Chinese capital expects to receive 2.18 million overseas tourists and generate 2.16 billion US dollars in tourist earnings this year, as compared with 2.03 million overseas tourist arrivals and 2.01 billion US dollars last year.

Beijing Organizations To Protect Women's Rights

OW2803113595 Beijing XINHUA in English 0853
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Organizations to protect women's rights and interests have been founded in all districts, counties, neighborhoods, and towns in this capital city since it first set up a Women's Rights Protection Committee, headed by Vice-Mayor He Luli, in October.

Many other measures have been taken on behalf of women's interests, including unveiling regulations to protect women's rights last May.

About 368,000 or 44.5 percent of the officials in Beijing are women, accounting for 11.9 percent of the bureau chiefs and 22.2 percent of the section heads.

About 25.9 percent of the deputies of the Municipal People's Congress are women, and the figure is 25.7 percent for the delegates to the Municipal Chinese People's Political Consultative Conference.

There are 1.81 million women workers, or 38.5 percent of the total workforce, in Beijing. The labor-related departments have issued orders to ensure them employment opportunities and to ease their pressures on them when they are injured or pregnant or nursing children.

The Public Security Bureau has also cracked down on such crimes as kidnapping, selling and assaulting women.

XINHUA Looks at Beijing Office Space Issue

Buildings 'In Short Supply'

OW2803113795 Beijing XINHUA in English 0801
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Beijing's office buildings are in short supply and

their rents are soaring, according to Beijing's First Leasing and Sales Fair, which opened here today.

Experts in the real estate trade attributed this to Beijing's position of being the center of banking, information, commerce and services, which require a large number of office buildings.

At present, Beijing has more than 10,000 foreign-funded enterprises, 4,000 foreign representative offices, and over 500 offices set up by different provinces, cities and counties.

In addition, the rising number of foreign diplomatic bodies and agencies, international organizations and foreign companies in Beijing pushes up the demand for commercial and office buildings.

The city is building a number of high-grade office and apartment buildings, of which buildings with a combined floor space of 400,000 sq m have already gone into service.

However, the capital is still short of 300,000 sq m of office space.

A survey has shown that rents for office buildings have gone up by 27 percent since early last year. Although the rent of first-grade office buildings is as high as 5,000 yuan per sq m on average, all those available have been leased out.

The municipal government has decided not to lease any more land for constructing office and apartment buildings in principle.

According to reliable sources, the amount of plots already leased for erecting such buildings is enough for the coming three to four years.

An official in charge of the fair disclosed that construction of office buildings with a total floor space exceeding 1.7 million sq m will be completed and sold on the market in 1997, balancing supply and demand in this field.

Office Building Fair Held

OW2803141295 Beijing XINHUA in English 1400
GMT 28 Mar 95

[FBIS Transcribed Text] Beijing, March 28 (XINHUA)—Beijing's first fair dealing with the renting and selling of office buildings opened here today at the China World Trade Center.

The five-day fair, sponsored by the China Association of Real Estate Businesses, was attended by some 70 real estate agents who presented a total of 2.19 million square m. in property to be traded.

In recent years, Beijing's spiralling economy and the rapid increase in the number of foreign-funded enterprises and offices have resulted in a shortage of office buildings and soaring prices, according to the organizing committee.

At present, there are more than 400,000 square m. of class-A office buildings in use in Beijing, and a shortage of some 300,000 square m.

The fair sponsors will invite representatives of Beijing-based foreign-funded enterprises, embassies, and commercial organizations to attend and will provide many possible choices for customers.

Unprofitable Beijing Enterprises To Go Bankrupt

OW2903062895 Beijing XINHUA in English 0320
GMT 29 Mar 95

[FBIS Transcribed Text] Beijing, March 29 (XINHUA)—Beijing will allow some unprofitable enterprises to go bankrupt as from this year.

This was announced by city Mayor Li Qiyang at a municipal conference on the readjustment of economic structures.

The aim of the country's economic readjustment is to upgrade the entire national economy as a whole, and it does not mean to save every individual state-run enterprise, Li said.

A leading body headed by Li Qiyang and with Chen Xitong, secretary of the Beijing Municipal Communist Party committee, as the advisor has been set up to take charge of the on-going economic readjustment. The move will cover all local industrial enterprises in May this year.

No enterprise was declared bankrupt in this capital city since the "Bankruptcy Law" took effect in the country.

Enterprises to be closed, merged or shifted to other lines of production will include those which are unable to pay off debts even with their assets, run at a loss for three consecutive years and produce heavy pollutants.

Measures will be taken to help unprofitable enterprises develop profitable products, move some industrial manufacturers to suburban areas and promote the production of name-brand and high-tech products, Li said.

Properties belonging to firms in different industrial sectors and under different [word indistinct] will be used in a unified way in the process of the readjustment. Joint stock and liability companies will also be built, he added.

Tianjin People's Congress Session Opens

SK2903083095 Tianjin TIANJIN RIBAO in Chinese 22
Feb 95 pp 1, 2

[FBIS Translated Text] On the morning of 21 February, the third session of the 12th Tianjin Municipal People's Congress was solemnly held in the big theater of Tianjin Auditorium.

At 0900 in the morning, Nie Bichu, executive chairman of the congress session and executive members of the

congress presidium, announced: Of the 718 deputies to the session, 647 are actually present at the session, so we have a quorum to open the session now. At this moment, all deputies stood up to sing the national anthem loudly.

Gao Dezhan, Li Jianguo, Nie Bichu, Lu Xuezheng, Pan Yiching, Zhu Wenju, Wang Chenghuan, Qian Qiao, Huang Qixing, Cheng Rongti, Liu Wenfan, Zhang Yuhuan, Su Baocong, and Liu Huigen, executive chairmen of the session, took front seats on the rostrum.

In the name of the municipal government, Zhang Lichang, mayor of Tianjin Municipality, presented a government work report on the subject of "Maintaining a Good Trend, Enhancing Overall Quality, and Realizing Greater Development in the National Economy and Social Undertakings."

The report is divided into five parts: A. A review of the previous year's work. B. The work policies and main tasks for 1995. C. Striving to enhance quality and the level of economic operation. D. Actively developing various social undertakings. E. Strengthening the government's self construction.

Zhang Lichang said: Last year was a year in which Tianjin made great progress in reform and opening up and also a year in which Tianjin achieved noticeable results in economic development and social undertakings. Under the leadership of the party Central Committee, the State Council, and Tianjin Municipal Party Committee, the municipal people's government upheld Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line, mobilized and relied on the people of the whole municipality, engaged in arduous struggle with one heart and one mind, and accomplished various tasks defined by the second session of the 12th municipal people's congress. The national economy was developed in a sustained, rapid, and healthy way; the "three-five-eight-ten" major four fighting objectives made substantial progress; the whole municipality's politics and society remained stable; the masses and people made concerted efforts; and various fronts made gratifying achievements.

Zhang Lichang said: The main tasks for this year's economic and social development are: The national economy should continuously maintain rapid and healthy development; gross domestic product should increase by 9 percent and strive to increase actual implementation; financial revenue should increase by 11.4 percent; and total volume of retail sales of social consumer products should increase by 20 percent. Opening up to the outside world should enter a higher level, foreign capital which are directly used in reality should increase by 17.6 percent, foreign export trade should increase by 8.7 percent, and the construction of new areas near the sea should be comprehensively started. Great progress should be achieved first with reforms in state-owned enterprises, and a bigger step should be made in grafting, transformation, and readjustment. New progress should be achieved in the "two-two-two project." We should establish a batch of key

industrial projects and urban infrastructural facility projects. We should accelerate progress in integrating science, technology, and economy. We should strive to enhance educational quality and efficiency in running schools. People's living standards should be significantly enhanced, the actual per average income of urban residents should be higher than the previous year, and the net average income of peasants should be increased to over 200 yuan. Completed residential houses in cities and towns should exceed 3 million square meters. The price should continue to be maintained at a lower level among the large and medium-sized cities of the whole nation. At the same time, we should organize efforts to formulate the "Ninth Five-Year" plan of Tianjin Municipality and economic and social development planning for the year 2010 as well as to amend overall urban planning.

Zhang Lichang said: In order to successfully carry out the above-mentioned tasks, we should grasp key problems and weak aspects as well as further clarify thinking on work. In starting work, we should meet the demand of establishing socialist market economic system, base ourselves on building a modern and international big port city, organize and promote various tasks on the standard and level of the municipality directly under the Central Government and the commercial and banking center in the north, and realistically do a good job in effecting new change every year and effecting big change every five years. As for the economic pattern, we should grasp the old urban district and accelerate readjustment and invigoration of existing ones on the one hand. On the other hand, we should grasp the construction of new areas by the sea; cultivate the biggest economic growing point; and form the pattern of using the old urban district to support the new one, using the new urban district to bring along the old one, and simultaneously and alternately developing old and new districts. In the structure of industries, products, and enterprise organizations, we should accelerate the development of the tertiary industry and realize the reasonable constitution of the tertiary industry. We should regard reform as the motivational force; grasp grafting, transformation, and readjustment of the state-owned large and medium-sized enterprises; and do a good job in transforming one project with advanced technology and funds from abroad, forming one competitive product, bringing along one trade, and saving a number of enterprises. We should combine the reform of administrative organs with the structural readjustment of enterprise organizations, regard the leading enterprises or competitive products as the core, regard the combination of assets as the link, develop large-scale enterprise groups, and promote the development of pillar industries. In the transformation of urban construction, we should regard transforming dangerous and shabby one-story houses as the breakthrough point; integrate the efforts of improving people's living conditions, readjusting the city layout, strengthening the functions of city carriers, expanding opening up, and building a modern and international big

port city; and seek a new way for transforming the old urban districts. In expanding opening up, we should make full use of Tianjin's advantages, upgrade the level of opening up to the outside world, expand the sphere of opening up, actively promote the internal cooperation, do a good job in service, and realize greater development.

Zhang Lichang concluded: At present, Tianjin's situation is good. People of the whole municipality have worked hard to make progress, and the broad masses of cadres have vigorously kept forging ahead, thus, Tianjin's development is full of promise. Therefore, under the guidance of Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line and the leadership of the party Central Committee, the State Council, and Tianjin Municipal Party Committee, let us closely depend on the people of the whole municipality, unite as one, rise with force and spirit, seize the opportunity, make earnest efforts to do practical things, and exert ourselves in the struggle to realize Tianjin's greater development.

Zhang Lichang's report frequently drew bursts of applause from deputies.

Seated on the rostrum were leading comrades Li Shenglin, Liu Jinfeng, Jin Renxie, Xu Ziqiang, Liu Fengyan, Fang Fengyou, Li Huifen, Song Pinshun, Luo Yuanpeng, Zheng Zhiying, Wang Hongjiang, Zhang Haosheng, Zhuang Gonghui, Wang Dehui, Zhu Liankang, Li Changxing, Huang Yanzhi, Cheng Ruyu, Liao Canhui, Lu Huansheng, Yu Guocong, Cheng Peilie, Wang Jitao, Zhang Zhaoruo, Cheng Shuxun, Zhang Baifeng, Zhang Dequan, and Zhang Guanwen, veteran comrades, Zhang Zaiwang, Wu Zhen, Yang Huijie, Lu Da, Yang Zhihua, Li Zhongyuan, Zhao Jun, Xu Ming, Li Yuan, Liu Zengkun, Yu Fujing, Shi Jian, Bai Hualing, Zhao Jinsheng, Huang Tifei, and Yu Songting, and members of the congress presidium.

Attending the session as observers were deputies of the National People's Congress in Tianjin, all of the members of the municipal Chinese People's Political Consultative Conference [CPPCC] Committee, the national CPPCC Committee members in Tianjin, members of departments, offices, and committees of the standing committee of the municipal people's congress, the personnel of the municipal government, and the responsible persons of some departments.

Attending the session as visitors were representatives from various circles and the responsible persons of some central units stationed in Tianjin.

Tianjin To Boost Agriculture With Technology

OW2903114695 Beijing XINHUA in English 1047
GMT 29 Mar 95

[FBIS Transcribed Text] Tianjin, March 29 (XINHUA)—This north China port city has vowed to boost agriculture with the promotion of high technology in the coming three years.

During the 1995-1997 period the city will apply high technology to 133,000 ha of farmland, including 67,000 ha of corn-sown areas, 33,000 ha of rice-growing acreage and 33,000 ha of areas sown to wheat, in a bid to harvest an added 50 million kg of grain annually.

One million head of lean-meat pigs are expected to be raised and sold per year over the period, local officials said.

High-tech and new agricultural projects, including water-saving irrigation, breeding of popular and special aquatic products and simplified planting of cotton, will be speeded up within the period, they said, adding that improved strains of corn and wheat will be widely used.

In addition, they said, the city has decided to allocate three million yuan in special loans for five large agricultural projects, and send nine agro-tech expert groups to help local farmers.

Northeast Region

Liaoning Reports Various Accidents in 1994

SK2903063495 Shenyang LIAONING RIBAO in Chinese 15 Mar 95 p 1

[FBIS Translated Excerpt] The provincial people's government held an emergency telephone conference on safety in production on the afternoon of 14 March. Guo Tingbiao, vice governor of the province, presided over the conference and Vice Governors Xiao Zuofu and Cong Zhenglong were on hand. The conference informed the participants of the situation in production safety across the province and made work arrangements for the next step.

The province as a whole incurred 25,956 accidents of various categories last year, which caused 5,359 deaths.

Since the beginning of this year, the situation in production safety throughout the province has remained serious and serious accidents in various categories have continued to occur. During the January-February period this year, the province as a whole incurred 4,827 accidents of various categories, a 13.2 percent increase over the same period of 1994; and these accidents caused 665 deaths, a 15.4 percent increase over the same period of 1994. Of these accidents, 463 deaths occurred from 2,578 traffic accidents, 14 deaths occurred from 2,029 fire accidents, and 92 deaths occurred from 149 railway accidents not related to transport operations. The gas explosion accident in Xinsheng colliery of Tianshifu town in Benxi city on 11 March resulted in six deaths. The appalling fire accident in the Anshan Shopping Center of Anshan city on 13 March caused serious losses to the state and resulted in 28 deaths and 11 persons injured.

Vice Governor Cong Zhenglong delivered a speech at the telephone conference, in which he demanded that efforts be made to reinforce propaganda dynamics and to

upgrade the sensitivity of all people to maintaining production safety and fire prevention. [passage omitted]

In his speech, Cong Zhenglong stressed: We should define responsibilities in this regard; have these responsibilities be implemented; and strictly handle the accidents. He stated: All accidents, particularly appalling accidents, must be earnestly investigated in line with the provisions. No units are allowed to interfere with the work done by the investigation group. Those who have been responsible for the accidents must be earnestly and strictly handled so as to truly achieve in "three not letting off". An open trial can be adopted if necessary. We should enable the strict handling of accidents to truly play a role of promoting security.

In presiding over the telephone conference, Guo Tingbiao stressed: In maintaining production safety, we should do a good job in grasping implementation in

ideology, duties, measures, and systems. We should meet the needs of newly-changed situations, enhance our sense of preventing fires, and improve or enhance the management over production safety. We should also strictly enforce the law; orient the drive of maintaining production safety and preventing fires onto the track of consolidating social security; and concentrate our efforts on grasping the prevention work among mines, shopping centers, recreation places, enterprises turning out inflammables and explosive products, and major traffic lines.

Attending the telephone conference were mayors and heads of cities and counties (districts) in charge of industry and public security; relevant responsible comrades from the economic commission, public security bureau, labor affairs bureau, and communication bureau of various cities; as well as responsible comrades from the relevant departments under the provincial level organs.

Media Cover Latest Spratly Issue

Police Mission Set

OW2903033395 Taipei CNA in English 0128 GMT 29 Mar 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—The Marine Police are planning to send patrol boats to the South China Sea early next month to declare the Republic of China (ROC)'s territorial claims over the two island groups in the area, a ranking police officer said on Tuesday.

"The mission will take patrol boats to the Tungsha (Pratas) and Nansha (Spratly) islands," said Yang Tzu-ching, commander of the seventh peace preservation police corps under the National Police Administration. The Pratas are about 220 nautical miles and the Spratlys 868 nautical miles away from Taiwan.

"(The action) is aimed to underscore the Marine Police's ability to implement law in that area," Yang said. Maritime piracy is rampant on the South China Sea, which straddles busy sea lanes linking north and Southeast Asia.

Each of the boats will be armed with two heavy machine guns, and all the crew members will be equipped with either M-16 automatic rifles or Uzi submachine guns, a police official noted.

Yang's police corps, based in the northern coastal town of Tamsui, is mainly responsible for patrolling the territorial waters surrounding north and northeast Taiwan. It also has distinguished itself in cracking down on illegal immigrants and drug and firearms traffickers.

Yang said the patrol members will set up a monument on Taiping island proclaiming the ROC's sovereignty over it. Taiping, the largest island among the Spratlys, is currently occupied by the ROC troops.

The patrol mission, the ROC's second in two consecutive years, comes amid mounting international disputes over the South China Sea area. In addition to Taiwan, Mainland China, the Philippines, Vietnam, Malaysia, and Brunei have claims over part or the whole of the Spratlys.

Observers here said that Taiwan's low-profile move, as compared with the warships and jet fighters sent into the area by neighboring countries, can be interpreted as a gesture from Taiwan that it wants the dispute over the island groups settled peacefully.

More on Mission

HK2803111295 Hong Kong AFP in English 1037 GMT 28 Mar 95

[FBIS Transcribed Text] Taipei, March 28 (AFP)—Taiwan will send a special patrol around the disputed

Spratly and Pratas islands in a bid to emphasize its sovereignty claim, marine police said Tuesday. The patrol will put up a symbolic stone inscription on Taiping, the largest of the Spratly island group, where Taiwan already has troops stationed, they said.

"The patrol mission, to be conducted by order of the cabinet, will begin early next month and will take about a week," said a police officer who requested anonymity.

The China Times Express, quoting Yang Tzu-ching, head of the marine police, said the patrol will cover Pratas, 220 nautical miles off Taiwan, and the Spratlys, 860 nautical miles from Taiwan. The 400 tonne patrol vessel will be armed with heavy machine guns and the police crew will be armed with an M-16 rifle and Uzi machine gun to defend themselves, the paper said. Many pirates are said to be active in the South China Sea. A Taiwanese patrol last year came across a Chinese navy ship, but there was no confrontation, the paper said.

The new mission follows increased patrols by China and a dispute with the Philippines over the Spratlys. Manila protested at China's building of structures on a Spratlys reef which is claimed by the Philippines. The Spratlys are claimed in part or whole by Brunei, China, Malaysia, the Philippines, Taiwan and Vietnam. The zone is said to be rich in minerals and oil and it has been identified as a potential source of conflict following US military withdrawals from the region and China's military buildup. Taiwan has called for cooperation among claimants to jointly develop the Spratlys.

Officials To Play Larger Cross-Strait Role

OW2903034995 Taipei CNA in English 0110 GMT 29 Mar 95

[By Bear Lee]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—Government officials will increasingly play a major role in future cross-strait negotiations, a ranking official with the Mainland Affairs Council (MAC) said on Tuesday [28 March].

The Straits Exchange Foundation (SEF), a civilian organization, has so far been entrusted by the government to hold talks with the mainland.

Speaking at a Taipei seminar on cross-strait relations, Jan Jyh-horng [name as received], director of the MAC's department of research and planning, said that under a plan worked out by the MAC, officials from relevant government departments will be involved in the next round of cross-strait technical talks scheduled to open late next month in Taipei, and then gradually take increasingly important negotiating roles in future talks.

He said that despite the presence of government officials, however, no political issues will be touched on during the talks.

MAC Chairman Hsiao Wan-chang said earlier at the seminar that Mainland China has used government officials, in the guise of officials from the mainland's Association for Relations Across the Taiwan Strait (ARATS)—SEF's mainland counterpart—as negotiators during past talks.

According to MAC officials who spoke on condition of anonymity, the mainland's using government officials during the talks has given it an advantage because it has better coordination between government and nongovernment personnel, and thus a higher level of efficiency.

Hsiao during the meeting also called for the establishment of systematic and orderly cross-strait exchanges so as to increase mutual trust between the two sides.

He also reiterated his previous proposal that it would be best for the leaders of Taiwan and the mainland to meet at international occasions.

Jan Trade Surplus With Mainland Down 12 Percent

OW2803115895 Taipei CNA in English 0850 GMT 28 Mar 95

[By Danielle Yang]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—Taiwan's trade surplus with Mainland China fell to US\$800 million in January, down 12 percent from January 1994, according to statistics released Tuesday by the Board of Foreign Trade (BOFT).

Taiwan exported US\$1.1 billion worth of goods to Mainland China in January, a growth of only 0.9 percent from January 1994. Imports from Mainland China reached US\$300 million, a growth of 87 percent, the statistics showed.

BOFT officials attributed the massive decrease in trade surplus to increasing imports from Mainland China and declining exports to the mainland. They predicted that Taiwan's trade surplus with the mainland will continue to decrease.

The officials also estimated that Taiwan's imports from the mainland will grow a whopping 115 percent and exports will grow only eight percent in 1995, an indication that Taiwan will no longer enjoy a huge trade surplus with the mainland.

After Mainland China becomes a member of the Geneva-based World Trade Organization, the expected canceling of trade privileges for Taiwan investors will also affect Taiwan's exports to the mainland, the officials said.

In addition, Mainland China's imposition of high customs tariffs and quota restrictions on imported machinery equipment last year contributed to a decline in machinery imports from Taiwan, the officials added.

Meanwhile, the officials warned of an increase in the competitiveness of mainland raw materials, which pose a threat to the development of local industry.

Major exports from Taiwan to the mainland via Hong Kong in January included industrial-use materials and components, synthetic fibers, machinery equipment, electronic components and parts, and plastic materials.

Eva Air Plans To Acquire Domestic Airline

OW2903035095 Taipei CNA in English 0147 GMT 29 Mar 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—Eva Airways Corp. intends to take over Makung Airlines, a small airline flying seven domestic routes, an Eva Air official said on Tuesday.

The official stressed, however, that further negotiations are needed before a deal is finalized. An Eva spokesman declined to confirm the report.

The Taipei-based UNITED DAILY NEWS quoted sources as reporting on Tuesday that the acquisition of a 50 percent stake in Makung Airlines may cost Eva up to NT\$500 million (US\$19.23 million), and that Makung shareholders already have received payment for the shares in checks.

According to the agreement reached, the paper said, the name of Makung Airlines will remain, and Eva will inject more capital into the firm in the future.

Industry sources said makung airlines has been in financial hot water since it was established seven years ago.

The merger report has sparked fears among local airlines, saying their operations might be threatened by the merger, and observers anticipate a backlash from competitors.

Eva Air, a subsidiary of Evergreen Marine Corp., was allowed to begin flying international air routes at its inception several years ago without being bound by the government requirement that all new airlines accumulate passenger flight records before they are permitted to fly international routes. Eva Air's rivals have repeatedly accused Chang Yung-fa, the airline's largest shareholder, of using political connections in securing the government approval. The uproar erupted again recently when Eva Air was given the green light to fly the Taipei-Kaohsiung route.

The initial reaction to the reported acquisition from the Civil Aeronautics Administration (CAA) was mixed. A CAA official said the reshuffle may help upgrade the maintenance ability of local airlines and improve customer service, but added that he feared the acquisition may trigger more mergers in the industry and eventually lead to a monopoly of the market.

NAFTA Now Largest Trade-Bloc Partner

OW2903035295 Taipei CNA in English 0209 GMT 29 Mar 95

[By Flor Wang]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—The North American Free Trade Agreement [NAFTA] area has become Taiwan's leading regional trade-bloc partner by absorbing about 30 percent of Taiwan's total exports while contributing 25 percent of the nation's overall imports last year, officials of the Ministry of Economic Affairs said on Tuesday.

The officials, citing an analysis made by the ministry on NAFTA's effects on Taiwan's foreign-trade sector, said that trade among the three NAFTA members—the United States, Canada and Mexico—has expanded noticeably, an indication that the formation of the free-trade area, which took effect in January 1994, has had a negative impact on trade with countries outside the bloc.

The analysis shows that trade volume inside the bloc increased 18 percent in 1994 over 1993. American imports of Mexican and Canadian products grew by 26 percent and 12 percent, respectively, last year, while total foreign exports to the U.S. rose by just 4.5 percent, according to the analysis.

Meanwhile, a report made public by U.S. textile industry sources indicates that Canada and Mexico have replaced Taiwan and South Korea to become the U.S.' second-largest and fifth-largest suppliers, respectively, of textiles last year.

In addition, textile exports by Southeast Asian countries to the U.S. also declined markedly at the same time textiles from Mexico, Canada and Caribbean nations flooded into the U.S., the officials noted.

In an effort to help Taiwan textile makers edge their way into the highly competitive NAFTA market, the Board of Foreign Trade and the China External Trade Development Council will jointly hold two seminars on March 30 and March 31 in Taipei and Kaohsiung to introduce Taiwan traders to the investment climate in the three NAFTA countries and to NAFTA regulations and laws governing foreign investments, the officials said.

An official from the United States Trade Representative office in charge of textile products will give keynote speeches at the two seminars, they said.

Minister To Seek Greater Banking Access

OW2903103795 Taipei CNA in English 0909 GMT 29 Mar 95

[By Danielle Yang]

[FBIS Transcribed Text] Taipei, March 29 (CNA)—Finance Minister Lin Chen-kuo will lobby Southeast Asian nations to allow Taiwanese banks to establish

branch offices on their soil, Vice Finance Minister Li Chung-hing said Wednesday.

During the Asia-Pacific Economic Cooperation finance ministers' meeting on April 15-16, Lin will urge finance ministers from Southeast Asian countries to open their financial markets and allow banks from Taiwan to establish representative offices or branches in their countries he said.

Lin said the Philippines has agreed to allow Taiwan's International Commercial Bank of China to set up branches in Manila and Vietnam's central bank also agreed to allow more banks from Taiwan to set up branch offices there in 1995.

Li pointed out that the financial markets in Indonesia, Malaysia and Thailand are closed, but many Taiwan enterprises need loan services for their investments. Setting up branches for local banks will make it more convenient for Taiwan investors, he explained.

Currently, the International Commercial Bank of China, the Bank of Taiwan, Farmers Bank of China, Chiao Tung Bank, Chinatrust Commercial Bank and Taiwan's three provincial banks have applied to set up branches in Southeast Asia.

EU To Open Office After Taiwan Joins WTO

OW2803120095 Taipei CNA in English 0909 GMT 28 Mar 95

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—The 11th trade and economic consultative meeting between Taiwan and the 15-member European Union (EU) ended here Tuesday [28 March] following one-and-a-half days of discussion.

Hugo Paemen, commissioner of foreign relations for the EU Executive [as received] Commission, said that the EU will establish a representative office in Taipei once Taiwan enters the World Trade Organization (WTO), the successor body of the General Agreement on Tariffs and Trade (GATT).

Taiwan now holds observer status at GATT and is expected to become a WTO member this year.

Paemen represented the EU at the meeting, while the Taiwan delegation was headed by Lin Yi-fu, director-general of the Board of Foreign Trade. Taiwan and EU trade officials have met regularly since 1981.

The EU chief delegate also pledged to support Taiwan's membership in various international trade and telecommunications organizations.

Asked whether the EU will extend "friendly nation" treatment to Taiwan, giving the island greater access to strategically sensitive products and technologies, he reiterated that the EU could not make the decision alone. Individual nations must make the decision, he noted.

Under EU regulations, only friendly nations can buy sensitive high-tech goods from EU member countries.

Lin pointed out that other major topics such as scientific cooperation and intellectual property rights protection won positive response from the EU. Both sides will talk further on these issues, he said.

On Monday, Taiwan and the EU agreed that the ATA (temporary admission of goods) accord, which both sides signed in 1989, will cover three new EU members—Austria, Sweden and Finland—which joined the EU on Jan. 1.

Under the ATA agreement, Taiwan products can pass through customs in the 15 EU member countries—and vice versa—without being taxed if the products are intended for exhibition or conferences.

In addition to the three new members, the EU includes Belgium, Britain, Denmark, France, Germany, Greece, Holland, Ireland, Italy, Luxembourg, Portugal and Spain.

Bank's Bid To Open 2d Vietnam Branch 'Approved'

OW2903035695 Taipei CNA in English 0151 GMT
29 Mar 95

[By Bear Lee]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—The Finance Ministry on Tuesday [28 March] approved an application by the Taipei-based Chin Fon Bank to open a branch in Ho Chi Minh City.

This will be Chin Fon's second branch in Vietnam. It currently operates a branch in Hanoi. The state-invested International Commercial Bank of China is also running an office in Ho Chi Minh City, which is Vietnam's financial hub.

The ministry has also given its approval to Tokai Bank to restructure its Taipei representative office into a branch, which will make it the third Japanese bank, after Dai-ichi Kangyo Bank and the Bank of Tokyo, to have a branch in Taipei.

With the addition of the Tokai Bank branch, a total of 39 foreign banks will be operating 60 branches in Taiwan.

According to FORTUNE magazine, Tokai Bank was formed in 1941 by merging three local banks in central Japan, and it is now the 12th-largest bank in the world.

Meanwhile, the BANKER magazine pegged the bank's total assets at US\$311.4 billion. It now has 285 domestic and 17 overseas branches as well as 20 representative offices abroad.

Taiwan, Tegucigalpa Sign Trade Accord

OW2803115995 Taipei CNA in English 0844 GMT
28 Mar 95

[By Huang Kwang-chun and Danielle Yang]

[FBIS Transcribed Text] Tegucigalpa, March 27 (CNA)—The Republic of China [ROC] and Honduras signed an economic and trade cooperation agreement here Monday [28 March] to boost bilateral investment, tourism and technical exchanges.

Chairman Jeffrey Koo of the Chinese National Association of Industry and Commerce and Adolfo Facusse, president of the Honduran Council of Private Enterprises, inked the agreement on behalf of their respective countries.

Under the agreement, both sides will establish enterprise communication channels, exchange trade information and promote personnel visits to increase understanding and friendship between the two countries.

They also agreed to set up working committees in their respective organizations to study cooperation issues which will benefit both sides. Initial cooperation will focus on development of the manufacturing industry.

Koo and Facusse also agreed to hold joint economic meetings in Taipei and Tegucigalpa alternately to discuss future cooperation.

ROC Economic Affairs Minister P.K. Chiang and Honduras Economics Minister Delmer Urbizo were also present at the signing ceremony.

Koo, together with Chiang, are visiting Honduras as part of a six-country trade promotion tour of Central America.

Ministry Announces Visits by Mandela, Others

OW2903035995 Taipei CNA in English 0121 GMT
29 Mar 95

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, March 28 (CNA)—South African President Nelson Mandela, as well as the presidents of Guinea-Bissau, Malawi, and Paraguay, are expected to pay official visits to the Republic of China [ROC] within the next few months, sources close to the Ministry of Foreign Affairs said on Tuesday [28 March].

"Indeed, Taipei has been frequently visited by political heavyweights from a variety of countries. But still it would be a rare sight if four heads of state came here one after another within a few months," the sources said.

Guinea-Bissau President Joao Bernardo Vieira is the first scheduled to arrive, on April 7. On the heels of Vieira will be Malawi President Bakili Muluzi, followed by Paraguayan President Juan Carlos Wasmosy, whose itinerary has not yet been set.

The most prominent visitor, the sources pointed out, could be South African President Nelson Mandela. According to foreign wire-service reports, Mandela plans to visit Taipei as part of his three-leg Asian tour in July.

Foreign Affairs Ministry Spokesman Rock Leng would not confirm Mandela's visit, but said: "Mandela is a respected South African head of state. His visit surely would be welcome."

A Foreign Affairs Ministry official said he believes the exchange of high-ranking visits will help consolidate ties between the ROC and the four countries.

In fact, President Li Teng-hui himself is an ardent advocate of the exchange of visits, the official said. Li, who made a whirlwind visit to southeast Asia early last year, is reportedly planning to visit the United Arab Emirates and Jordan soon.

Leng declined to confirm Li's middle east trip in compliance with ministry policy. Foreign Affairs Minister

Chien Fu has on several occasions complained about premature leaks of news concerning ties with other countries, saying they had invited pressure from Beijing and other unnecessary troubles.

Vice Foreign Affairs Minister Chen Hsi-fan defended Li's private visits to the countries that do not have official diplomatic links with the ROC. He said such visits have helped highlight the fact that the ROC not only exists, but is alive and kicking. He added that Li's trips are also conducive to promoting foreign ties and to boosting the confidence of Taiwan investors in the countries Li visits.

Hong Kong**Reportage on Joint Liaison Group's Activities****Budget Meeting Set for 30 Mar***OW2903104895 Beijing XINHUA in English 1034 GMT 29 Mar 95*

[FBIS Transcribed Text] Hong Kong, March 29 (XINHUA)—Experts of the Sino-British Joint Liaison Group (JLG) will hold their first meeting in Beijing on March 30 to discuss Hong Kong's financial budget and related matters for the transition period, according to the Chinese side of the JLG.

The Chinese team will be headed by Chen Zuo'er, Chinese representative on the JLG, while the British team will be led by Donald Tsang, Secretary for the Treasury of the British Hong Kong Government. They will be assisted by experts from the two sides.

More on Budget Meeting*HK2803150795 Beijing ZHONGGUO XINWEN SHE in English 1212 GMT 28 Mar 95*

[FBIS Transcribed Text] Hong Kong, March 28 (CNS)—The Sino-British Joint Liaison Group (JLG) will soon convene for their first expert meeting in Beijing on Hong Kong's financial budget. The Chinese side has already made preparations for this meeting. The Chinese and British expert teams will be headed by Mr. Chen Zuo'er and Secretary for the Treasury of the British-Hong Kong government, Mr. Donald Tsang Yam-kuen who is the Financial Secretary-designate.

Sources from the Chinese side said that as time approaches 1997 when Hong Kong will revert to the Mainland, matters directly related to the handover of sovereignty of the territory should become the key work to be undertaken by the JLG. The Chinese side suggested on several occasions to the British side that the financial budget towards the transition should be made an independent subject for consultation in the JLG, in order to ensure convergence of Hong Kong's financial policy and peaceful transition of financial work around 1997.

The sources revealed that members of the Chinese expert team included the Director of Budget Management Department of the Ministry of Finance, Mr. Gao Qiang, the Counsellor of the Hong Kong and Macao Affairs Office of the Ministry of Foreign Affairs, Mr. Li Chun-yan, the division head of the Economic Department of the Hong Kong Branch of New China News Agency, Mr. Wang Lin, the division head of the Economic Department of the Hong Kong and Macao Affairs Office under the State Council, Mr. Liu Qiang, the division head of the Financial and Taxation Reform Department of the Ministry of Finance, Mr. Wang Xiaofeng, and the division head of the Accounting Management Department of the Ministry of Finance, Mr. Liu Yuting. The Chinese

side also invited four Hong Kong members of the Preliminary Working Committee (PWC) as advisers for the Chinese team. They are Mrs. Nellie Fong, Mr. Shao You-bao, Mr. Chung Sze-yuen and Mr. Philip Wong Yu-hong. The sources said that as the compilation of the financial budget was directly related to a peaceful transition of Hong Kong's economy and long-term prosperity and stability of the territory, the participation of Hong Kong people was necessary. The four Hong Kong members of the PWC will act as advisers to the Chinese team in their personal capacity, and they will provide opinions for the Chinese team. They will also take part in the expert meeting on the financial budget if necessary. They have promised not to disclose secrets and sensitive material regarding the meeting, nor look for their personal interests by capitalizing on their status as advisers.

32d Meeting To Open on 4 Apr*OW2803151995 Beijing XINHUA in English 1502 GMT 28 Mar 95*

[FBIS Transcribed Text] Hong Kong, March 28 (XINHUA)—The 32nd meeting of the Sino-British Joint Liaison Group (JLG) will be held in Hong Kong on April 4, 6 and 7, according to the Chinese team on the JLG.

The Chinese team will be headed by Senior Representative Zhao Jihua, and the other members include Representative Chen Zuo'er, Representative Yang Youyong, Head of the Foreign Affairs Department of XINHUA NEWS AGENCY Hong Kong Branch, Representative Wang Weiyang, and Representative Wu Hongbo, Counselor of the Hong Kong and Macao Office of the Chinese Foreign Ministry.

The British team will be led by Senior Representative Hugh Davis.

Meanwhile, the experts of the British and Chinese sides of the JLG will meet very soon in Beijing to discuss matters relating to the preparation of the 1997-98 Budget for Hong Kong, according to Hong Kong Government information Services.

More on Preparations*HK2803103695 Hong Kong AFP in English 1004 GMT 28 Mar 95*

[FBIS Transcribed Text] Hong Kong, March 28 (AFP)—China and Britain are to resume talks next week on preparations for Hong Kong's handover to China in July 1997 next week, the government announced Tuesday. The meeting of the Sino-British Joint Liaison Group (JLG), set up to prepare the territory's transition, is to take place in Hong Kong from April 4 to 7.

The JLG, which normally meets at least three times a year, has been slipping behind in its work since China reacted furiously to Governor Chris Patten's push to extend democracy in Hong Kong before 1997. The announcement of the 32nd JLG meeting was made after

a series of expert-level talks on Hong Kong's air service agreements, court of final appeal and sewage disposal scheme were held in the past weeks.

On Monday, the expert-level JLG talks on sewage disposal made a breakthrough, with an accord on setting up a technical group to deal with the issue. China has opposed to the territory's sewage disposal scheme, saying it could pollute waters in both Hong Kong and China.

Consensus Reached on 'Airport Corporation Bill'

OW2903030095 Beijing XINHUA in English 0748
GMT 29 Mar 95

[FBIS Transcribed Text] Hong Kong, March 29 (XINHUA)—China and Britain have reached consensus in their negotiations over the issue of the Airport Corporation Bill, said a spokesman of the Chinese side on the Airport Committee under the Sino-British Joint Liaison Group.

The spokesman said that this was the result of common efforts by the two sides over the past few months and would be conducive to the talks between the two sides over the issue of the financial support agreements.

UK, China Discuss SAR Passport Issue

HK2903054195 Hong Kong HONGKONG STANDARD
in English 29 Mar 95 p 5

[By Neville de Silva, Diplomatic Editor]

[FBIS Transcribed Text] Britain and China are still discussing issues relating to the new Special Administrative Region (SAR) passport and further talks will be held at the next session of the Joint Liaison Group [JLG], British diplomatic sources say.

"There have been constant discussions with the Chinese side on this question. There are major immigration issues and we will continue to discuss them," British JLG team leader Hugh Davies said yesterday.

Mr Davies said it was not correct to say that Britain had decided to impose visas on SAR passport holders since there were still several questions to be resolved.

He said there were questions such as eligibility for passports, the right of return of passport holders and related questions that needed to be decided.

"We cannot make firm decisions when the talks are still going on," Mr Davies said, denying that Britain had already made up its mind to demand entry visas for SAR passport holders.

British Foreign Office spokesman Bill Dickson echoed the words of the British JLG leader.

"It is nonsense to say that the British government has already decided this," he said, adding that they had to know what the SAR passport entailed.

Mr Dickson said it was necessary to see what safety features the SAR passport would have, such as a guarantee that a holder would be able to return to Hong Kong.

"We have repeatedly said that BDTC [British Dependent Territories Citizen] and BNO [British National (Overseas)] passport holders will continue to have visa-free entry to Britain even after 1997. But on the SAR passports there is no decision as the discussions are not over," Mr Dickson said.

Other diplomatic sources said that present denials did not mean Britain would not impose a visa regime on SAR passport holders.

"It is quite possible they will. But right now somebody might just be testing the waters by putting out stories that a decision has already been made," the diplomat said.

Dean of the Consular Corps in Hong Kong, Hendrik Van Pesch, the Consul-General for the Netherlands, said as far as his country was concerned it was not possible to make a decision without knowing specifics about the SAR passport.

"Have you seen an SAR passport? We haven't and we have not been told anything yet. So we can't say anything," Mr Van Pesch said.

The Netherlands does not require visas for BDTC and BNO passports.

Belgian Consul-General Piet Steel, whose country also does not require visas for BDTC and BNO passport holders, said the issue was hypothetical as they still had no details about the SAR passport.

Editorial Views Thatcher Visit, Ties With UK

HK2903064295 Hong Kong WEN WEI PO in Chinese
29 Mar 95 p a2

[Editorial: "Li Peng Discusses Sino-British Relations With Mrs. Thatcher"]

[FBIS Translated Text] Former British Prime Minister Mrs. Margaret Thatcher has arrived in Beijing for visit. Chinese Premier Li Peng welcomed her, and praised her contribution to the development of Sino-British relations in the past.

During the period when Mrs. Thatcher was in office, Sino-British relations were good. Mrs. Thatcher had a great deal of historic perspective, and realized that it was not realistic for Britain to maintain its rule over Hong Kong for a long time. She made the choice that was good for Britain, China, and for the future of Hong Kong: through peaceful negotiations, the British Government signed the Sino-British Joint Declaration with the Chinese Government, promised to return Hong Kong to China in 1997, and then let China promulgate the Basic

Law, practice "one country, two systems," and allow Hong Kong to remain unchanged for 50 years.

Sino-British relations entered their best period after the signing of the Joint Declaration. However, relations deteriorated in the summer of 1992, after Britain sent Chris Patten to Hong Kong to serve as governor, and he promoted the "three violations" policy and challenged Sino-British cooperation. It is known to everyone that the Hong Kong issue is an important matter in Sino-British relations, and if the British side does not change its Hong Kong policy, it will hinder improvement of Sino-British relations.

Following Mrs. Thatcher's visit to China in March, former British Prime Minister Heath also will visit China in April. Then Michael Heseltine, secretary for trade and industry, will visit China in May. Britain has often hoped that Qian Qichen can visit Britain, and vice premier and Foreign Minister Qian Qichen has already said that a detailed timetable for visit to Britain has yet to be set and that it needs to be discussed through diplomatic channels.

The British press already has disseminated information to the effect that "Mrs. Thatcher's visit to Beijing is part of Britain's effort to restore normal relations with China—an effort that began last year," and "it shows that the tense Sino-British relations have gradually improved." Some British people even think that the ossified bilateral relations that began in 1992 were a result of their initiative, so as long as Britain makes a gesture and promotes "normalization of relations," China certainly will be anxious to mend ties with it, and there is no need to take cooperative actions regarding the Hong Kong issue.

Is this really the case?

Li Peng said when meeting Mrs. Thatcher: "The development of Sino-British relations has run into serious difficulties in recent years, and this is what the Chinese side does not want to see." "Recently, the British side said it hoped to improve Sino-British relations, and this is what we welcome. With regard to the Hong Kong issue, we hope that the British side can reduce trouble, do more solid things, and increase cooperation."

Li Peng gave a very clear message: The British side should be able to do three things regarding the Hong Kong issue: 1) Reduce trouble; 2) Do more solid things; and 3) Increase cooperation. In China, there is an old saying that goes: Listen to words and look at deeds.

Is the British side still promoting the reform aimed at establishing a legislative-led pattern? Is it still continuing the change of Hong Kong's legal system? Is it still changing the decisionmaking and operational styles of the administrative framework? Is it still refusing to recognize the Preliminary Working Committee [PWC], and adopting an uncooperative attitude toward the

transfer of power? If the British side is still acting in this direction, it is increasing trouble.

A solid action to improve relations is more effective than 100 declarations. Qian Qichen pointed out on 8 December 1994 at the Plenary Session of the PWC: "We hope that the British Hong Kong authorities will change their attitude toward the PWC, and will show some sincerity, for this is conducive to Hong Kong's smooth transition, and to its prosperity and stability, and is also conducive to the improvement of Sino-British relations."

China has not laid back and waited for cooperation from the British side. If the British side does not cooperate, the Chinese side can rely on its own strength to achieve a smooth transition for Hong Kong, and can reclaim Hong Kong according to schedule. Therefore, when meeting with Mrs. Thatcher, Li Peng said: According to the Sino-British Joint Declaration, China will resume sovereignty over Hong Kong on 1 July 1997. By then a special administrative region [SAR] will be established in Hong Kong which is based on the "one country, two systems" concept and is in accordance with the regulations of the Basic Law of the Hong Kong SAR. For at least 50 years, it will practice a high degree of autonomy, and will maintain its existing capitalist system and way of life, which will see no change.

The PWC has done a great deal of work to prepare for the establishment of the SAR, and already has derived plans and proposals for handling problems in transition. By October of this year, the Chinese side will begin work on organizing the Preparatory Committee, which will be formally established in early 1996. With or without cooperation from the British side, the Chinese Government has the ability, as well as the concrete measures, to ensure that the Hong Kong SAR will be established on schedule and operated smoothly according to the Basic Law.

The Chinese side welcomes the British side's actions and its return to the track of cooperation. Should the British side want a fruitful result from Heseltine's visit to China, it should adopt a realistic attitude regarding the Hong Kong issue, do some solid things for the transfer of power, and cooperate with China.

Governor Wants 'Tougher Line' After Abductions

HK2903053995 Hong Kong SOUTH CHINA
MORNING POST in English 29 Mar 95 p 1

[By Darren Goodsir]

[FBIS Transcribed Text] Governor Chris Patten has ordered the police and Royal Navy to review their rules of engagement to prevent Chinese security vessels illegally entering local waters.

His personal intervention follows increased concern about the abduction of at least two Hong Kong men and

their vessels by armed Chinese security forces in front of Marine police who were forbidden to open fire.

Mr Patten yesterday told local security chiefs he wanted a tougher approach taken against marauding Chinese boats and better co-ordination between the police and the Navy.

He is also considering asking the British Embassy in Beijing to use diplomatic channels to raise Hong Kong's concerns with Chinese authorities.

The demand for a review of the rules of engagement came at a meeting in Government House yesterday with the Police Commissioner, Eddie Hui Ki-on and Commander British Forces, Major-General Bryan Dutton.

Chief Secretary, Anson Chan Fang On-sang, Secretary for Security, Peter Lai Hing-ling and his deputy, Ken Woodhouse, were also at the 90-minute meeting.

Mr Patten is said to have been angered by China's lack of response to official protests about the March 18 incident made by Political Adviser, Robert Peirce through the office of Xinhua (the New China News Agency).

Mr Hui is believed to have been told by the Governor to raise the issue with his Chinese police counterparts and highlight their failure to acknowledge the protest which included photos and precise co-ordinates of the incursion.

If the incident has not been resolved soon, Mr Hui will be under pressure to confront authorities in Guangdong

province and, perhaps, in Beijing, during his scheduled trip to China in early April.

It emerged last night that the Security Branch was unclear on how many crew were on the boats when hijacked after a gun battle south of High Island.

Advocating a much tougher line in future—and despite the fact that reported incursions have dropped significantly in recent years—Mr Patten reviewed both forces' rules of engagement.

At present, police are not permitted to fire unless they have been attacked.

However, the military have much broader options available to persuade disobedient parties to comply with instructions.

The Governor's spokesman, Kerry McGlynn, confirmed that discussions had been held in the afternoon at Mr Patten's personal direction.

They follow a series of reports in the South China Morning Post on the military's upset over not being called to the stand-off.

"(The Governor) insisted that lessons be learned and that follow up action be taken over this matter," Mr McGlynn said.

He refused to elaborate on what "follow up" tactics might be used.

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